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15 January 1982

USSR Report

ECONOMIC AFFAIRS

(FOUO 1/82)

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

DEVELOPMENT OF ECONOMICS IN LIGHT OF 26TH CPSU CONGRESS

Moscow VESTNIK AKADEMII NAUK SSSR in Russian No 9, 1981 pp 29-37

/Article by Academician N. P. Fedorenko: "The 26th CPSU Congress and the Tasks of Economic Science"/

/Text/ In March at the general meeting of the Economics Department the Main Directions of the Work of the Department on the Development of Economic Science in Light of the Decisions of the 26th CPSU Congress were approved. This document, it seems to us, provides the institutions of the department with reliable guidelines in their activity, since it is directly connected with the final program materials of the congress and with the main principles and instructions, which are contained in the Accountability Report of the CPSU Central Committee, which was heard at the congress. "The tasks which life advances," Comrade L. I. Brezhnev emphasized in this report, "require the development of theory, economic science, its approximation of the needs of economic practice. The mobilization of the creative potential of our entire society is needed. The understanding of the arising problems should increase and the available means should be identified and used better in the center and locally, in all the links, in all the units of the national economy."

Important, responsible matters await Soviet economics scholars, as well as all the Soviet people. Along with all the people they will take part in the fulfillment of the plan of the 11th Five-Year Plan. The party and the government have the right to count on the effective assistance on the part of economic science in the solution of many difficult social and national economic problems.

As is known, the congress resolved to begin the preparation of a new edition of the CPSU Program--an edition in which the most important changes in the life of Soviet society and in world social development and the most important tasks of the building of communism should receive thorough scientific reflection. This circumstance is increasing more and more the importance of research on the economics of mature socialism, the laws of its development into socialism and especially the demands on the quality of political economic research. Many problems, which await solution, have accumulated in the political economy of socialism, the question of the social consequences of the scientific and technical revolution requires much attention.

Comprehensive programs of basic research, the implementation of which began during the past 5-year plan, remain the main form of the organization and coordination of the work along the entire front of economic science. In all there are six of them. I will mention how these programs are formulated and who is directing the work on their fulfillment.

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"The Economic Problems of Mature Socialism and the Laws of Its Development Into Communism"--Corresponding Member of the USSR Academy of Sciences Ye. I. Kapustin, director. "The Elaboration of the Theory and Methods of the Planning and Management of the Socialist Economy"--Academician N. P. Fedorenko, director. "The Program of Research on Problems of Demography"--Corresponding Member of the USSR Academy of Sciences T. V. Ryabushkin, director. "Regional Economics and the Distribution of the Productive Forces of the USSR"--Academician N. N. Nekrasov, director. "The Laws of the Development of the World Socialist Economy, the Problems of Socialist Economic Integration and the Development of Long-Term Economic Relations of the USSR With the Socialist Countries"--Corresponding Member of the USSR Academy of Sciences O. T. Bogomolov, director. "The Laws and Trends of the Development of the Economic System of the Capitalist and Developing Countries and the World Capitalist Economy; Problems of the Foreign Economic Relations of the Soviet Union With These Countries"--Academician N. N. Inozemtsev, director. In light of the decisions of the 26th CPSU Congress it is planned to organize the elaboration of the new program "Theoretical Problems of the Efficiency and Intensification of Production."

As was indicated, political economic research, the increase of its scientific level and the extension of the analysis of the real processes of socioeconomic development are now regarded as of paramount importance. In this connection, in particular, the studies of the methodological problems of /the political economy of socialism/ *in italics* have to be expanded. Scholars of the institutes of the Economics Department, and first of all of the Institute of Economics of the USSR Academy of Sciences, will continue the study of the state and prospects of the economic system of mature socialism and of the development of the scientific principles of the economic strategy of the CPSU and the economic policy of the socialist state at the present stage and the elaboration of the economic theory of mature socialism, the general laws and peculiarities of building it in various countries.

The studies of the means and possibilities of the improvement of the material and technical base of mature socialism and its development into the material and technical base of communism, the acceleration of the rate of the scientific and technical revolution and the use of its achievements under the conditions of the socialist economic system will also be continued and expanded. During this work the task is being raised to study better the methods of solving similar problems in other socialist countries for the sharing of experience and the mastering of everything efficient that has been developed by the collective intellect of the fraternal parties and peoples. Along with the elaboration of purely theoretical questions, the preparation of scientific recommendations on the further development of national property and the convergence of kolkhoz-cooperative property with national property, the overcoming of the substantial differences between mental and physical labor, the city and the countryside and the leveling of the social differences on the territorial level should be the immediate goal of research.

It is very important at the present stage to improve the distributive relations in society. This is dictated, in particular, by their importance as a factor of the intensification and the increase of the efficiency of social production. Therefore the problems of the strengthening of the material and moral stimuli to work, the change of the content of labor, the increase of the well-being of the workers and the development of the socialist way of life and so on must be studied in greater detail.

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A large collective of researchers headed by scholars of the Institute of Economics of the USSR Academy of Sciences will complete the work on the three-volume work "Ekonomicheskiy stroy sotsializma" /The Economic System of Socialism/, the dummy copy of which has already been prepared and in the immediate future will be offered to the scientific community for discussion. All the basic results of the study of the economic categories and laws of socialism in conformity with the logic and structure of socialist production relations should be generalized in this work. We expect of the authors the thorough substantiation of their scientific positions, which should contribute to the further pooling of the efforts of Soviet economists and the extensive use of the conclusions of economic science as the basis of the management of the economy of our society.

The second major set of problems concerns /the planned management of the national economy and the increase of its efficiency//in italics/. The search for means of the further intensification of social production for the acceleration of the increase of the well-being of the Soviet people and the solution of other socio-economic problems, including the assurance of the future economic development of the country and the strengthening of its defensive capability, should be continued. Economics scholars should prepare suggestions on the improvement of the system of planning and especially on the unification of the various types of plans into a single system, on the assurance of the balance of the economy, the strengthening of the relationship of the planning of physical production with the problems of scientific and technical progress, with the financial means, as well as credit, and on the improvement of the system of statistical indicators and the methods of statistical analysis in connection with the needs of optimum planning and forecasting.

The studies of the problems of the theory and methods of the optimum planning and functioning of the socialist national economy will undergo further development. This direction of the work has as its goal as if to translate into the language of precise qualitative characterization and quantitative definiteness our notions about the economic laws of socialism, such as the law of planned development, the law of distribution according to labor, as well as about a number of other political economic categories. At the same time it should promote the elaboration of a precise program, the directions and principles of the improvement of the economic mechanism of the country on the basis of a uniform national economic approach to the optimization of the use of all production resources, the optimum combination of the economic interests of the workers, labor collectives and society as a whole, as well as the efficient use in economics of mathematical methods, systems analysis and other achievements of modern science.

On the basis of the studies of expanded reproduction under the conditions of mature socialism, with allowance made for the achievements of science in the area of the development of mathematical economics methods and models, it is necessary to prepare recommendations on the optimum choice for the future of such structural correlations as the growth rates of the first and second subdivisions, the rate of accumulation in the national income, the proportions of production and nonproductive accumulation and so on, having directed special attention to the increase of the effect of the intensive factors of the growth of production.

It is well known that by the decisions of the party and the government on the improvement of the economic mechanism the Comprehensive Program of Scientific and Technical Progress has been introduced directly into the system of the planning of USSR economic and social development. Now, on the basis of the generalization of

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the gained experience, a set of methods of long-term and intermediate-term forecasting of scientific and technical progress, including the creation of a system of models of regional and interregional forecasting with the use of econometric methods, should be elaborated.

We have to complete the elaboration of the procedural materials of the second section of the automatic system of plan calculations (ASPR), to prepare for practical use by planning organs a system of models of optimum long-range planning with a breakdown by sectors and territories and to continue the elaboration of the methodological substantiation and procedural materials on goal program planning and management.

However, economics scholars not only are preparing reliable procedural materials, but are also directly participating in the elaboration of specific programs. The responsibility of the scholars, who are participating in the development of the food, the long-range energy and other most important statewide comprehensive programs: the Sibir' and Ural programs, the program of the development of the Nonchernozem Zone, the program of the economic development of the zone of the Baykal-Amur Railway Line and others, is great. Stating the idea a bit more roughly, it is possible to speak about two means of solving the above-described research problems--on the theoretical methodological level and on the real economic level. Of course, these aspects are inseparable, in practice and in organizational work we should take them into account and differentiate them. Here it is proper always to remember Lenin's words that "whoever sets to work on special problems without the preliminary solution of the general problems inevitably will at every step unconsciously 'run into' these general problems. But to run into them blindly in each specific case means to doom one's policy to the worst vacillations and the lack of principles."¹

The Main Directions of the Development of Economic Science envisage the performance in the shortest possible time of research aimed at the finding of the most effective means and methods of overcoming the factors which complicate the economic development of the country during the 1980's. Among these factors are the decline of the growth of manpower resources, the increasing remoteness of the fuel and raw material bases, the increase of the need for environmental protection and others. It is proposed in this connection to prepare recommendations on the area of the optimization of the fuel and power balance, the increase of the efficiency of the extractive industry and the identification of the most efficient economic and organizational forms of the cooperation of the fraternal socialist countries in the solution of energy problems. The Central Institute of Economic Mathematics of the USSR Academy of Sciences (TsEMI) will complete the publication of the series of monographs "The Fundamentals of the System of the Optimum Planning and Management of the Socialist Economy."

Among the other problems in this area let us note another, in our opinion, extremely important one. In July 1979 the party and the government adopted decrees on the improvement of the economic mechanism and the strengthening of its influence on increasing efficiency and work quality. During the 11th Five-Year Plan these decisions should be implemented. The institutes of the department on the basis of the study of this process will have to prepare suggestions on further work in this direction, having in mind first of all the strengthening of the orientation of the

1. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 15, p 368.

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entire economic mechanism toward the end results, the increase of the independence of associations and enterprises and of the rights and responsibility of economic managers. The studies on the elaboration of a long-term concept of the assurance of the balance of the physical and the monetary and financial flows in the national economy must also be intensified.

The third set of problems is /the problems of the world economic system/ /in italics/.

Based on the fact that "the decisive front of the competition with capitalism passes through economics, economic policy" (L. I. Brezhnev), the economic institutes of international specialization are concentrating attention on the study of the urgent problems of the socioeconomic and political development of the socialist countries, on the generalization of their experience in the intensification of economic growth, the improvement of the international mechanism of socialist integration, especially commodity-money and institutional instruments, as well as the domestic system of the management of the integration process. The scientific substantiation of the stand of the socialist countries on questions of economic relations with non-socialist states is of great importance.

The Institute of Economics of the World Socialist System of the USSR Academy of Sciences will enlarge the studies of the interaction of economics, politics and ideology in the socialist countries at the present stage. What is meant is the study of the improvement of the political organization of socialist society under the new conditions, the means of unifying scientific and technical progress with the socialist forms of economic and political life, the solution of urgent social problems in the CEMA countries (the increase of the standard of living, the consolidation of the socialist way of life and others). The same collective will prepare the two-volume monograph "Mirovoye sotsialisticheskoye khozyaystvo (voprosy politicheskoy ekonomiki)" /The World Socialist Economy (Problems of Political Economy)/.

In the area of the studies of the developing countries and modern capitalism the main efforts will be focused on the study of the problems of state monopoly capitalism, its new forms and the peculiarities of their manifestation in different countries, the development of inflationary processes, the intensification of the capitalist economy under the conditions of the scientific and technical revolution, as well as on the comprehensive study of the problems of the liberated countries of Asia, Africa and Latin America, the laws and prerequisites of their changeover to a noncapitalist path of development.

At the same time the study of global problems: the energy, food, raw material, demographic and ecological problems, the problem of overcoming the backwardness of the developing countries, the problem of establishing a new international economic order and others, will be intensified.

The problems of the class struggle at the present stage of the revolutionary process in the states of developed capitalism and the developing countries and the questions of the development of the international communist and working class movement, its international contacts and solidarity with other currents of the revolutionary process remain at the center of attention of the institutes of the department.

The thorough comprehensive studies of the main country of modern capitalism--the United States of America--in all aspects: foreign policy, economic, ideological, military and social, in the aspect of Soviet-American relations, should also be

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continued during the coming 5-year period. One of the important directions of this work is the study of the problems of the scientific and technical revolution in the United States, the European countries and Japan, the means of the intensification of the economy and the peculiarities of the development of the agro-industrial and food complexes in these countries. (I would like to note the great importance of the elaboration on this basis of practical recommendations which can be used in our national economy.) The institutes of the department plan to prepare the series of monographs "Global'nyye problemy sovremennosti i mirovoye razvitiye" [Global Problems of the Present and World Development], "Sovremennaya vneshnyaya politika SShA" [Contemporary U.S. Foreign Policy], "Ekonomika SShA" [The U.S. Economy], "Noveyshaya istoriya Kitaya" [The Modern History of China], "Sotsialisticheskaya oriyentatsiya i revolyutsionnyy protsess v Afrike" [The Socialist Orientation and Revolutionary Process in Africa], the encyclopedic reference book "Latinskaya Amerika" [Latin America] and other major collective works.

Reality urgently requires the increase of the effectiveness of economic science, its influence on economic life and on the increase of the efficiency of social production. This requirement is dictated by the present economic situation in the country and stems directly from the decisions of the 26th party congress. It seems that even more attention than before to the problems of economic and social development is needed, that is, the substantiation of social needs in the future, the determination of the socioeconomic goals of long-range development, the creation of a concept of the socialist way of life in all its manifestations (the material well-being and spiritual development, the relations of distribution, the conditions of the increase of labor productivity, the demographic situation), the substantiation of the means of changing over our economy to the intensive path of development and a number of other problems.

Among them are the problems of improving distributive relations in society. As we have already noted, their elaboration is becoming, without exaggeration, problem number one. First, it is necessary to extend the theoretical analysis of the law of distribution according to labor under socialism, the system of values of socialist society and the general problem of the optimization of socioeconomic development. (It seems that our political economists should analyze specifically the very concept of distribution according to labor with allowance made for the historical experience of building socialism in our country and other countries.) Second, on the basis of the theory of distributive relations, an entire set of practical measures which are connected with the intensification of the influence of distributive relations on the efficiency of social production should be elaborated even more actively than before. (It is a question of the system of wages and income of the population, of the payments and benefits from public consumption funds, of the redistribution of monetary assets among different categories of the population and so on.) And third, the theoretical and practical elaboration of the question of the strengthening of the sense of social satisfaction of the workers and of the improvement of the socialist social system as a system of genuine social justice should be started. But this involves to a considerable extent the optimum differentiation of income, consumption and personal accumulations.

The essence of the economic strategy of the party, its highest goal is the increase of the material and cultural standard of living of the people and the creation of the best conditions for the all-round development of the individual. The means of achieving this goal consist in the increase of the efficiency of all social production, the growth of labor productivity and the increase of the social and labor

activeness of the Soviet people. The contribution of economics scholars to the accomplishment of this goal, it seems to us, will be judged first of all by the extent to which they promote the strengthening of these means.

In the Accountability Report at the party congress Comrade L. I. Brezhnev, having noted the existing bottlenecks and disproportions in the national economy, indicated that their most important cause consists in the fact that the forces of inertia, the traditions and habits, which were formed during the period when not so much the qualitative as the quantitative aspect of the matter came to the forefront, have not yet been completely overcome. Soviet economists also need to make a decisive turn toward the qualitative aspect of the matter--a turn which reflects the new objective factors and conditions of the growth of the national economy. During the 11th Five-Year Plan the increase of the end and national economic results should lead the increase of the labor and material expenditures, including the capital investments; therefore our basic and applied research should be aimed at the finding and use of resource-saving factors of economic and technical development. Here a comprehensive, integrated approach is especially important. I will recall that in the past, for example, the separate study of the questions of demographic policy, capital investment policy, technical policy and the economic mechanism of the stimulation of labor did not make it possible to ensure a uniform approach to the problems of intensification; as a result a definite contradiction was noted between the labor-saving direction of technical progress and the capital investment policy, which in essence was aimed at an increase of the number of workplaces in industry.

I would like to note the inclusion in the Main Directions of the Development of Economic Science for the 5-year plan of such a fundamentally new applied science task as the elaboration of the Method of Measuring the Efficiency of Economic Measures. It is proposed to create a unified methodological and procedural basis for the evaluation of capital investments, new equipment, organizational, economic and other management decisions. It is a question, in essence, of the improvement, the adjustment of the tools which are used both for the solution of scientific problems and for the making of practical economic decisions. The need for such improvement is indisputable. Let us cite just one example. At the Central Institute of Economic Mathematics a number of experimental calculations of the economic effectiveness of scientific and technical innovations were made by different, let us emphasize, prevailing national economic methods. And so the effectiveness of the use of one new, more perfect and durable pump than former pumps was estimated in the following manner.

According to the method of determining the economic efficiency of the use in the national economy of new equipment, inventions and rationalization proposals--an economic impact of 2.3 million rubles. According to the standard method of determining the effectiveness of capital investments--a loss of 22,300 rubles. According to the method of determining the economic efficiency of automated control systems--an impact of 312,000 rubles. According to the method of determining the wholesale prices for new products for production engineering purposes--an economic impact of 447,000 rubles.

How does one choose under such conditions the optimum versions of technical progress?

Vast opportunities exist in the country for the saving of material resources and living labor. The combating of losses is being brought to the forefront in economic

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policy. Meanwhile the measures on the reduction of losses require additional capital investments and current expenditures (if we do not consider the elimination of elementary mismanagement, for which other methods exist). The opportunities of the state to identify the corresponding resources, of course, are limited. Therefore a strict quantitative economic evaluation and a comparison, according to the level of effectiveness of the expenditures, of the measures aimed at saving and at the mobilization of real resources are necessary.

In principle the same resources are consumed for the decrease of waste products and losses as on new construction and the expansion of production. Therefore the method of calculating the expenditures and their effectiveness should be uniform for all the types of their outlay. Such is another conclusion in favor of the uniform method being developed for the measurement of the effectiveness of economic decisions.

The drive against losses of resources and for the increase of the impact from their use should be conducted in two main directions: the improvement of planning and its standard base and the improvement of the mechanism of the stimulation of production, including the establishment of payment for all types of resources and complete cost accounting responsibility for their consumption. Here precisely the organization of work and the creation of an interest in using resources most efficiently are the real task of economists. The identification of reserves is important, but this is not an end in itself; we are required to give scientifically sound recommendations on how to truly put these reserves to use.

When implementing in planning and economic practice the decisions of the party and government on improving the economic mechanism and increasing its influence on efficiency and work quality, economics scholars should bear in mind the following priority tasks. The development of a reliable system of economic measurers and plan indicators, which orient producers toward the maximization of the end national economic impact, and therefore the accomplishment of a gradual changeover to optimization principles of the management of the economy. The adoption of advanced forms and methods of the organization of production and wages, including the brigade and other collective forms, in which payment is made according to the final product, the end results of the work. The stimulation of the economic initiative of enterprises and associations in seeking means of the best satisfaction of social needs with the increase of contractual discipline and responsibility to consumers. The development of a modern technical information base which ensures the completeness, timeliness and accessibility of the information necessary for making effective economic planning decisions.

We should admit that so far it has not been possible to fulfill the previously adopted decisions on the creation of the statewide automated system for the collection of information (OGAS). The urgency of this problem was again confirmed by the 26th party congress. The country is being saturated with computer hardware, but the lack of a unified state system of computer centers is leading to its poor use, inefficient operation and, what is the main thing, the inadequacy of the information for the efficient management of the national economy. Apparently, we must undertake definite efforts to expedite this work in cooperation with other concerned organizations.

The scientific forces of the department are now being focused on comprehensive basic research. The practice of joint operations of the institutes of the Economics Department of the USSR Academy of Sciences and the economic institutes of the

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academies of sciences of the union republics with the institutes of ministries and departments and with higher educational institutions is being extended. The coordination of the work is being improved, and the role of the Bureau of the Economics Department, which proposes to examine at its sessions the activity of peripheral scientific research organizations and to use in practice field sessions of the bureau in the union republics and large regions of the RSFSR for the strengthening of contacts with local scientific forces and for their enlistment in the solution of general problems of economic science, is increasing in this matter.

We consider it necessary to enhance the role of the scientific councils of the Economics Department of the USSR Academy of Sciences and of economic journals in the discussion of urgent problems of theory and in the preparation of recommendations on the accomplishment of the tasks of building the economy; the journals should enlist peripheral authors more actively in contributing.

As to the training of personnel, it is especially important to ensure the extension of the training of specialists in political economy and to reinforce the staffs of economic scholars in Siberia, the Far East and the European north, as well as in a number of union republics. The demands on the theoretical level and practical significance of dissertations and on the ability of dissertation writers to use modern, especially mathematical economics, methods of research should be increased.

Cooperation with Izdatel'stvo "Nauka", other central, republic and local publishing houses on the publication of scientific and popular science literature, on the selection of foreign economic literature for translation into the languages of the peoples of the USSR, as well as on the selection of Soviet literature for publication in foreign languages has to be increased during the 11th Five-Year Plan. In all this the element of chance is still strong. At times the fate of a book is decided not by its quality and significance for science, but by the "go-getting" capabilities of the author and other attendant circumstances. Sometimes publishing houses are afraid of new, fresh ideas, preferring to travel the well-beaten path, but precisely what is new is more important for science! We will hope that by our joint efforts we and the workers of publishing houses will be able to put things in this matter in the proper order.

It is necessary to broaden the cooperation of the institutes of the economics departments of the USSR Academy of Sciences and the academies of sciences of the union republics with the scientific institutions of the fraternal socialist countries in the elaboration of fundamental problems and in the preparation of collective works, to increase the activeness of Soviet economists at international theoretical conferences and symposia and to strengthen the contacts with progressive scholars of the capitalist and developing countries.

The task of studying the experience gained in the fraternal socialist countries of the organization of production and management and the solution of national economic problems was set at the 26th CPSU Congress. It is well known, for example, how skillfully the work has been organized at agricultural cooperatives and enterprises of Hungary, what valuable experience of the rationalization of production and the economy of raw materials and materials exists in the GDR; there is much of interest and value in the social security system in Czechoslovakia, while new effective forms of agro-industrial cooperation have been found in Bulgaria and a number of European socialist countries. It seems that the Economics Department must specially elaborate the question of a system of the study of the concrete experience of

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economic work in the socialist countries for the preparation of recommendation on its possible use in our economic practice.

In conclusion let us emphasize the importance of the systemic, comprehensive solution of all the above-enumerated problems and the need for creative cooperation between economists and representatives of other social, natural and technical sciences for the fulfillment of the plans of the 26th CPSU Congress.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

DEFINITION OF NATIONAL ECONOMIC POTENTIAL PROPOSED

Moscow VOPROSY EKONOMIKI in Russian No 9, Sep 81 pp 97-106

[Article by E. Gorbunov: "The Economic Potential of Advanced Socialist Society"]

[Text] Socialist society's entry into the phase of advanced socialism is related first of all to attainment of a high level of economic development. In the context of mature socialism the level of economic development is not characterized solely by a certain scale and volume of production; this represents a new qualitative state of the productive forces, a state that has to do with appropriate changes in the system of society's production relations and in economic policy. The country has entered a new decade, L. I. Brezhnev noted at the 26th CPSU Congress, "in possession of a mighty economic and scientific-technical potential and an army of trained personnel devoted to their work numbering in the many millions."

Creation of a mighty economic potential makes it possible to enlarge the scale of accumulation for production and nonproduction purposes, to achieve a substantial rise in the workers' standard of living, to put on the agenda the performance of social, intersector and regional programs which are huge in their scale, and to broaden positions in the world economy. Economic theory is confronted in this connection with the need to solve a number of important problems. Among them are methodological problems in determining indicators of the level of development of the country's productive forces and problems of their economic content.

The level of economic development is a historical concept. Each stage in the development of the economy makes specific adjustments in its indicators.¹ As the degree of the social division of labor increases and the production structure becomes more complex, indicators of the level of a country's economic development, reflecting the growth and greater complexity of factors in the dynamic behavior of the productive forces, tend to rise. In the present period, when millions of different products and services are being created in social production, there is an especial need to develop measures of the level of economic development and to set up a system of summary synthetic indicators reflecting both the quantitative and also the qualitative aspects of the development of society's productive forces. A distinction has to be made here between indicators of the country's economic might (economic potential) and indicators of the level of its economic development.

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Certain economists have thought in the recent past that the level of economic development could be expressed by some one indicator synthesizing all aspects of social production as a whole. Some of them have proposed as such an indicator the productivity of labor, others the indicator of the standard of living, still others the per capita national income produced, and yet others the output of heavy industry. But contemporary production is so diverse in its character and distinguished by such a multiplicity of intersector and intrasector relations that it does not seem possible to express all this in a single indicator. For instance, the level of labor productivity is one of the most important economic indicators. But it does not directly express the level of a country's economic development, since it does not reflect, for example, the absolute volume of output or the per capita output, and the economic might of a particular country cannot be judged without taking them into account.

In precisely the same way a judgment cannot be made on the level of economic development from the per capita amount of national income produced, though there is no question that this indicator is one of the most important for comparing levels of economic development of individual countries. But its shortcoming is that it does not reveal the structure of social production and the division of labor, which, as K. Marx put it, characterize most graphically the level of development of a nation's productive forces.² Nor is it possible to evaluate the level of a country's economic development from the volume of production of particular products: for example, from the per capita production of steel, pig iron, petroleum, paper, cardboard, paper pulp, and so on.

A country may possess a sizable economic potential, but be characterized by a moderate level of economic development, and, conversely, it may be highly developed with respect to the level of its productive forces, but characterized by a relatively small economic potential. The ideal here will be to combine the high level of economic development and a mighty economic potential.

The first indices of the level of development of society's productive forces from the quantitative and qualitative standpoint were worked out as a system of indicators by A. Notkin. He distinguishes between indicators of a country's economic might (or economic potential), reflecting the level of development of the productive forces from the quantitative standpoint, and indicators of the level of economic development, which determine the qualitative factors of the economy. Here the following are looked to as the principal indicators of economic potential: the volume of the productive forces; the volume of the social product and national income of the given country; the volume of industrial output, especially heavy industry; and the absolute increments in growth of the social product, the national income and industrial and agricultural output.³ In our opinion, these fundamental indicators should be supplemented by taking into account certain important factors in development of the productive forces.

First, these indicators must include not only the volume of resources for production and consumption reproduced (the gross social product, national income), but also resources for production and consumption accumulated, which are embodied in the indicators of the national wealth. At the same time, there is hardly any need to distinguish sectoral indices (industry, construction, transportation and agriculture) within the indicators of the economic potential, since by its

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purpose the economic potential of society is characterized above all by synthetic and summary indices. Second, the economic potential must also include nonrenewable natural resources--mineral reserves, and timber, water and land resources. "Development of a country's economic potential is determined in large part by the state of resources of minerals and raw materials," it was remarked at the 26th CPSU Congress.

Natural resources, consideration being given to their rapid regeneration on the basis of the scientific-technical revolution, largely determine the very direction of development of the principal branches of a country's national economic complex and its specialization and structure. The economic importance of including natural resources as a component in the production potential is also determined by the fact that expenditures for environmental protection are now reaching very substantial proportions and are growing every year. For instance, in just 4 years of the 10th Five-Year Plan about 8 billion rubles were spent for these purposes. The value of fixed capital for ecological purposes in the industrial sector has reached 3.1 percent of the sum total of that capital.⁴ Unfortunately, no assessment of any accuracy has yet been made of either the individual elements of natural resources (minerals, timber, water resources and land) or of their total value. For that reason it is not possible today to determine their share in the composition of the economic potential.

Such an exceedingly important element of the productive forces as human and labor resources must also be taken into account in the indicators of the economic potential. It is well known that the size of the population largely determines a country's economic might, its ability to produce specific volumes of physical goods. That is why the size of the population, along with the able-bodied population and size of the labor force, should in our opinion be included among the indicators characterizing a country's economic potential.

It is also indispensable to include in the country's economic potential the level of nonmaterial wealth: the scientific knowledge accumulated, production know-how, the level of skills, the level of education and state of health of the population, that is, indicators characterizing from the qualitative standpoint the creative capabilities of the population and of the labor force. "Along with the production potential," T. Khachaturov rightly notes, "an ever greater role in economic and social development is being played by the nonproduction potential, which determines the living and cultural conditions of the workers and has a feedback effect on economic growth. The nonproduction potential consists of personnel in the nonproduction sphere and its plant and equipment--housing, municipal services and utilities, enterprises and organizations rendering consumer services and in trade and supply, educational institutions, institutions for health care, athletics, art and science, as well as the intellectual riches built up over the centuries--knowledge, experience and culture. All of these are important factors in social--and at the same time economic--development."⁵ There is other evidence of this in the nonproduction sphere's economic role in developing the sectors of social production and in creating the gross, net and final product.⁶

In the absence of a sufficiently sound methodological base for statistical measurement of the nonmaterial portion of national resources, it is not possible at

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the present time to fix its real magnitude. But society's nonmaterial wealth and its volume and structure are reflected in the final indicators of resources for production, for reproduction and for consumption.

When what has been said above is taken into account, economic potential (the national economic might) of society can be expressed by the following indicators: the country's total number of gainfully employed (samodeyatel'noye) persons and the number of employees (rabotayushcheye naseleniye), the volume of its accumulated national wealth, the annual volume of the gross social product and national income,⁷ nonmaterial wealth (accumulation), and an assessment of economic resources. At the same time there is also a need for a system of indicators derived from the functional characteristics of the various components of the entire national economy. The system of indicators reflecting the functional pattern of the country's national economic potential might be the following: human potential (the country's total population and within that gainfully employed population); labor potential (employed persons); the potential of natural resources; the production potential (the volume of production of the gross social product); the reproductive or investment potential (sum total of accumulated fixed productive and nonproductive capital and working capital); the potential for personal consumption (the volume of output of the consumer sphere of the economy as the sum total of consumer goods and services).

The most complicated problem in setting up a system of indicators of a society's (country's) national economic potential is measuring its size as a single whole. The size of the potential is characterized by three components which are not commensurable with one another: the human potential and labor potential are determined by the size of the population, and the production potential, the reproductive potential and also the potential for consumption are determined in value terms. We need to note the imperfection of the value expression of the components of the economic potential indicated above, since prices of the means of production, working capital and consumer goods and paid services are structured along different lines. Public consumption funds are estimated from the size of material expenditures. All of this makes it difficult to work out a methodological base for determining the national economic potential, not to mention finding any sort of specific measure of magnitude.⁸

The national economic potential has fundamental importance as a category in studying expanded reproduction, especially in analyzing long-term tendencies over a period of, say, 20 years. As we know, the decree of the CPSU Central Committee and USSR Council of Ministers entitled "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" calls for work to be done in that time frame as a kind of load-bearing structure for the multiannual national economic plan. It provided that the USSR Academy of Sciences, the State Committee for Science and Technology and USSR Gosstroy would draft a detailed program no later than 2 years in advance of the next 5-year period. G. Sorokin made a relevant statement in this connection when he said that "at the present time it is already impossible to limit ourselves to '5-year cycles of reproduction'...we also need to study long-range periods.... We need totals summing up work over many years."⁹

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The national economic potential of the USSR, conceived as the result of the country's economic development over a lengthy period, is indeed such a synthetic and summary indicator. As T. Khachaturov has noted, a country's economic potential is a material condition for raising the efficiency of social production.¹⁰ It reflects the accumulated amounts of the gross social product, the national income and fixed capital, and the volume of personal consumption of material goods and services thus figuring as a summary indicator of the country's economic might. The makeup of the national economic potential includes both the results of current periods of production and consumption and also elements of the social (national, people's) wealth over the entire previous period of the country's development: that is, indicators of both "income" and also "wealth" are brought together within this category, whereas for determining the national income, for example, indicators of "income" are mainly used. The study of the process of growth of the national economic potential over a particular period is based on an analysis of all the basic patterns of expanded reproduction, which substantially supplements the theoretical and concrete socioeconomic descriptions of this process, which are arrived at through these ordinary indicators (the gross, net and final aggregate social product).

The theoretical and practical importance of computations of the potential of the economy of an advanced socialist society lies in the fact that they make it possible to give expression to the effectiveness of interrelationships in the economy and to its functional structure. The economic interrelationships of the various constituent parts of the potential as a single whole can be described statistically by specific magnitudes of society's current efficiency, reproductive potential and rates of nonproductive consumption. Use of such specific magnitudes increases the group of indicators of expanded reproduction. These indicators have especially great practical importance for multiannual planning.

In our opinion, the following need to be included among these indicators.

1. Per capita volumes of the national economic potential:

Productive resources.

Reproductive (investment) resources.

Resources for personal consumption.

The production and consumption parts of the economic potential as a whole.

2. Indicators of the efficiency of the national economic potential:

Production and consumption parts of the potential per employee in social production.

Current level of the productivity of labor (gross social product per employee).

The reproductive level of efficiency of the potential (production and consumption portions per unit of the reproductive resources of the potential).

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3. The potential's supply of capital;

Reproductive and productive resources.

Reproductive resources as a whole.

Fixed capital of the national economy (including the productive and nonproductive fixed capital, given separately).

Raw materials and supplies (materials intensiveness of the economic potential).

Capital investments (capital intensiveness of the economic potential).

4. Indicators of the efficiency of personal consumption:

Current production costs per unit of resources for personal consumption as a whole.

Current inputs per unit increase of the consumption fund of the national income.

Relative share and growth rate of the individual parts of resources for personal consumption.

The figures in Table 1 show that over the period from 1971 to 1979 substantial changes took place in the size of the USSR's economic potential. While human and labor resources increased 8.6 and 17.0 percent, respectively, the volume of material resources for production and consumption increased 90.3 percent, and within that resources for personal consumption increased 83.1 percent. The per capita growth of all types of material resources was 75.3 percent, including an 82.5-percent growth of resources for production and reproduction and a 68.6-percent growth of resources for personal consumption (without taking into account the addition to nonmaterial assets).

Table 1. National Economic Potential of the USSR Over the Period 1970-1979

<u>Resources Included in Potential</u>	<u>1970</u>	<u>1979</u>	<u>1979/1970, %</u>
I. Human resources (millions of persons)	241.7	262.4	108.6
II. Labor resources (millions of persons)*	118.8	138.4	117.0
III. Material resources for production and reproduction (billions of rubles)	694.4	1,375.8	198.1
1. Volume of accumulated fixed productive capital	531.0	1,076.0	202.6
2. Working capital in the form of inventories	163.4	299.8	183.5
IV. Resources for personal consumption (billions of rubles)	743.3	1,360.7	183.1
1. Current resources for consumption**	201.3	323.7	160.8
2. Size of accumulated nonproductive capital for public purposes	329.0	562.0	170.8

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Table 1 (continued)

<u>Resources Included in Potential</u>	<u>1970</u>	<u>1979</u>	<u>1979/1970, %</u>
3. Volume of accumulated household goods***	213.0	475.0	223.0
V. Total material resources intended for production and consumption	1,437.7	2,736.5	190.3

* Working in the national economy.

** Consumption fund of the national income.

*** Calculated (see the comments on the table in the body of the article).

The principal factor in augmenting the country's economic might is the growth of its production potential: fixed productive capital, capital investments, and the amounts of raw materials and supplies produced. In the 1971-1979 period the growth of resources for material production exceeded the growth of all physical goods by more than 8 points (a growth of 98.1 percent as compared to 90.3 percent). Within the category of productive resources fixed capital increased fastest (growth of 102.6 percent), and the growth of working capital was 83.5 percent. By the end of the seventies the volume of fixed productive capital in the USSR national economy exceeded 1 trillion rubles and in 1979 comprised 39.3 percent of all the country's material resources and 78.2 percent of all its productive resources. One of the main achievements of the USSR economy has been the building of the mighty physical production base of advanced socialism.

Along with the growth of the potential of capital goods sectors in the seventies, the Soviet people's standard of living rose as a result of fulfillment of the social program drafted at the 24th and 25th CPSU Congresses. The growth of the consumption fund of the national income was almost 61 percent over the 1971-1979 period (average annual rate 5.4 percent), nonproductive capital increased 70.8 percent, personal property 2.2 percent, and all resources for consumption 83.1 percent.

Let us examine the method of computing accumulated household property. As we know, this indicator is not given a separate line in the statistical yearbook "Narodnoye khozyaystvo SSSR" [USSR National Economy] as a component of the national wealth or resources. Accumulated personal household property was determined for the first time as an indicator by V. N. Kirichenko for 1970, when it amounted to 213 billion rubles, on the basis of a population survey covering different social and age groups.¹¹ According to the author's calculations, the average annual growth rate of this indicator was 8.5 percent over the 1961-1970 period (227 percent [index number--translator's note] over the 10-year period).

On the assumption that this rate of increase of household property persisted in the subsequent years as well, its volume at the end of the seventies would have to be 445 billion rubles. But since this figure was calculated in current prices, in determining it we must take into account price changes over the period under review. Adjusting for this, according to our calculations the volume of accumulated household property at the end of the seventies was 475 billion

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rubles, which corresponds to almost 84.5 percent of the volume of fixed nonproductive capital for public purposes and 45-46 percent of the total amount of all nonproductive capital. This figure is in line with the calculated index of the USSR Central Statistical Administration.¹²

Indicators of the per capita amounts of resources for production and consumption accumulated over a particular period of time play an important role in a description of the national economic potential. The dynamic behavior of these indicators over the 1971-1979 period is evident from the table which follows (see Table 2).

Table 2. Per Capita Components of the National Economic Potential of the USSR Over the 1971-1979 Period (in rubles)*

<u>Resource Components of the Potential</u>	<u>1970</u>	<u>1979</u>	<u>1979/1970, %</u>
I. Material resources for production and reproduction	2,872.9	5,243.1	182.5
1. Volume of accumulated fixed productive capital	2,196.9	4,100.6	186.6
2. Working capital comprising inventories	676.0	1,142.5	169.0
II. Resources for personal consumption	3,075.3	5,185.6	168.6
1. Current resources for consumption	832.8	1,233.6	148.1
2. Volume of accumulated fixed nonproductive capital for public purposes	1,361.2	2,141.8	157.3
3. Volume of accumulated household personal property	881.3	1,810.2	205.4
III. Total material resources intended for production and consumption	5,948.3	10,428.7	175.3

* Computed from the data in Table 1.

The computations given in the table reflect sizable changes occurring in the seventies in the per capita amounts of consumption of productive and nonproductive resources. For instance, the corresponding level of the per capita supply of capital increased over this period nearly 1.9-fold on the basis of fixed productive capital, 1.6-fold on the basis of fixed nonproductive capital, and 1.7-fold on the basis of working capital. If labor resources are taken instead of the entire population, the gross supply of capital [per worker] increased from 5,845 rubles in 1970 to 9,941 rubles in 1979, that is, by 70.1 percent, and on the basis of fixed productive capital it rose from 4,469.7 to 7,774.5 rubles, or 73.9 percent. In spite of the problematical weather conditions, the level of per capita consumption rose 68.6 percent in those years, and the absolute level of personal consumption reached nearly 5,200 rubles in 1979.

Given the high level of productive resources which has been attained, the problem of the efficiency of the national economic potential is taking on particular importance (see Table 3). At the present time the dynamic behavior of that efficiency is characterized by the fact that on the one hand the level of labor productivity is rising at rather high annual rates (above 5.9 percent), while on

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the other hand the high growth rates of the supply of capital (average annual rate above 6 percent) are not accompanied by such sizable growth rates of the utilization of physical resources. As a result of the rise of materials intensiveness and the drop in the output-capital ratio, then, unit expenditures in production per unit of resources for consumption have risen almost 9.0 percent.

Table 3. Dynamic Behavior of the Principal Indicators Characterizing the Efficiency of the USSR's National Economic Potential Over the Period 1970-1979 (in rubles)*

Indicators	1970	1979	1979/1970, %
1. Productivity of labor resources**	12,101.80	19,772.30	163.4
2. Supply of capital***	4,469.70	7,774.50	173.9
3. Output-capital ratio****	2.71	2.54	93.7
4. Materials intensiveness*****	8.80	9.13	103.8
5. Inputs of production resources per unit of resources for consumption*****	0.93	1.01	108.6
6. Inputs of production resources per unit of the economic potential*****	0.48	0.50	104.2

* Calculated from the figures in Table 1.

** Physical resources intended for production and consumption per unit of labor resources.

*** Accumulated fixed productive capital per unit of labor resources.

**** Physical resources intended for production and consumption per unit of accumulated fixed productive capital.

***** Physical resources intended for production and consumption per unit of working capital.

***** Resources for production and reproduction per unit of resources for consumption.

***** Resources for production and reproduction per unit of physical resources intended for production and consumption.

As L. I. Brezhnev noted at the 26th CPSU Congress, the task has been set in the 11th Five-Year Plan of "stewardly utilization of the huge potential built by the Soviet people at its full output." The congress outlined the principal directions of the interrelated system of measures to ensure by virtue of conversion to the intensive strategy of economic development efficient utilization of natural, physical and labor resources as the decisive and most effective method of augmenting the country's national wealth and of rapidly increasing accumulation and resources for consumption.

The real strength of the economic potential increases with a growth of the share of the final product among its components. The measures of structural policy have great importance among the measures to improve utilization of the economic potential; they provide for accelerated development of the sectors producing finished products and guarantee thereby that the largest final results from the standpoint of the national economy are achieved. The output of those branches and sectors in the 5-year period will increase at faster rates than production of the overall output of industry. For instance, the entire output of industry

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is increasing 26-28 percent, but the growth of the output of machinebuilding is 40 percent, that of the chemical and petrochemical industry 30-33 percent, and that of branches in Group B as a whole 27-29 percent. Increasing the share of branches mainly producing finished products is helping to improve satisfaction of society's needs and is expanding the areas of the economy which are balanced.

The volume of the productive resources in the USSR's economic potential, which had attained a very sizable magnitude even by the end of the 10th Five-Year Plan, will increase in the period 1981-1985. Particular importance is being attributed in the 11th Five-Year Plan to the heavy branches of industry--fuel and power, metallurgy, machinebuilding, the chemical industry, as well as transportation and construction. The growth of the volume of production in them will be accompanied by retooling, by introduction of new technology, and also by improvement of the composition of the implements of labor produced and by intensification of production specialization. Particular attention is being paid to those branches which are vehicles of scientific-technical progress, the consumption of whose products yields a maximum economic benefit.

One of the most important factors in augmenting the resources of the economic potential is to draft and carry out in the branches of social production a national economic target program for elimination of losses. According to available data, the internal potential for increasing production capacities by improved utilization of resources are very sizable. For instance, a 1-percent reduction of material costs in the national economy provides a growth of 6 billion rubles in the national economy and raises labor productivity 1.3 percent. Reduction of worktime losses in the industrial sector could increase output by 3 billion rubles a year, and [in the construction sector] it could increase the volume of construction and installation work by 700 million rubles. A reduction of construction time of production facilities by only 1 month would make it possible to increase the national income by 2 billion rubles. Raising the productivity of labor at all industrial enterprises to the level of those enterprises which are fulfilling the state plan (which is altogether possible) would make it possible to obtain an additional 5 billion rubles of output.¹³ As is evident from the figures given, carrying out a national economic target program to eliminate losses would substantially increase the size of the USSR's economic potential without any sort of sizable outlays of capital investments.

Another important factor in improving the utilization of resources for production and consumption under present conditions is creating a mighty and comprehensively developed infrastructural complex within the branches of social production. Shaping such a complex is necessary first of all in agriculture by virtue of development of the production operations involved in procurement, storage, shipment and processing of agricultural products, which preserve them and bring them to the consumer in a more marketable form. In a number of cases (potatoes, vegetables, fruit, etc., in particular) it would be possible to undertake a certain restriction of capital investments for augmenting the production of products and substantially increasing investments in the infrastructural complex until its construction is completed. This is all the more important because infrastructure facilities are as a rule less capital-intensive than production proper, and building them does not take long periods of time.

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A large potential for consumption has been built under the conditions of advanced socialism. In order to strengthen its impact on the rise of efficiency of social production, it is advisable to make a gradual transition from carrying out separate measures of social welfare policy to setting up completed consumer complexes which have a direct tendency to raise production efficiency and achieve high final results, to improve the system of material incentives, to augment personal consumption and raise the educational and cultural level, and to improve the Soviet people's living and working conditions, medical service and rest and recreation.

Improvement of the economic mechanism is playing a large role in improving utilization of the economic potential; it ensures higher efficiency in the use of physical, labor and financial resources and intensification of the entire process of economic development. The measures being carried out in the period of the 11th Five-Year Plan to solve the problem of ensuring intensive development are at the same time conducive to improved utilization of the country's economic potential and to its further enlargement.

FOOTNOTES

1. "For a very long time," A. L. Vaynshteyn has written, "scientific thought has searched for ways of expressing in the most compressed form, even in a single numerical indicator, the state of a country's economy, its economic might, and the level of its development and prosperity, which are indispensable in making comparisons with the past or with other countries. Since the level of prosperity and economic strength of a separate economic entity or individual was usually characterized either by its income, or by the proportion of that income, or, finally, by the amount of property accumulated and possessed, it is natural that scientific thought should also have striven to compute the analogous values for the country as a whole" (Al'b. L. Vaynshteyn, "Narodnyye dokhod Rossii i SSSR. Istoriya, metodologiya ischisleniya, dinamika" [National Income of Russia and the USSR. History, Computational Methodology and Dynamic Behavior], Izdatel'stvo "Nauka," 1969, p 7).
2. K. Marx and F. Engels, "Sochineniya" [Works], Vol 3, p 20.
3. A. I. Notkin, "Tempy i proporsii sotsialisticheskogo vosproizvodstva" [Rates and Proportions of Socialist Reproduction], Ekonomizdat, 1961, pp 37-38.
4. T. Khachaturov, V. Varankin and A. Bystrov, "In the Interests of Natural Conservation," EKONOMICHESKAYA GAZETA, No 38, 1980, p 15; also the method "Efficiency of Expenditures for Environmental Protection," developed by the Scientific Council of the USSR Academy of Sciences for the Economic Efficiency of Fixed Capital, Capital Investments and New Technology and by the Economics Institute of the USSR Academy of Sciences (EKONOMICHESKAYA GAZETA, No 33, 1980, pp 13-14).

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5. T. Khachaturov, "Efficiency of Socialist Social Production," VOPROSY EKO-NOMIKI, No 7, 1980, p 4.
6. In a study devoted to the dynamic patterns of total capital in the United States, the well-known American economist J. Kendrick showed that rapid growth of "nonmaterial" capital (outlays for education, a portion of outlays for health care, movement of manpower and science) was typical of the 1929-1969 period. This led to a reassessment of previous conceptions in the United States about the rising return on capital (reduction of the capital coefficient). It turns out that the capital coefficient, which is computed as the ratio of the gross national product to gross outlays of material and nonmaterial capital, does not drop, as Kendrick himself had asserted a certain time before, but for all practical purposes maintains a stable level (J. Kendrick, "Sovokupnyy kapital_SShA i yego formirovaniye" [The Formation of Aggregate Capital in the USA/, Izdatel'stvo "Progress" 1978, p 147).
7. Taking into account the value of the output of the nonproductive sphere.
8. There have been attempts to express the magnitude of the USSR's national wealth by means of expenditures of labor of annual workers (see, for example, IZVESTIYA AN SSSR. SERIYA EKONOMICHESKAYA, No 5, 1979, pp 5-18). But this method of computation is very provisional, if for no other reason because it does not take into account reductions of labor, not to mention that the productivity of the "annual worker" in the branches of material production (for example, of a metallurgical worker, chemical worker, and so on) cannot be compared to its analog in the branches of the nonproductive sphere.
9. G. Sorokin, "Reproduction in the Context of Advanced Socialism," PLANOVVOYE KHOZYAYSTVO, No 7, 1973, p 41.
10. T. Khachaturov, "Efficiency of Socialist Social Production," VOPROSY EKO-NOMIKI, No 7, 1980, p 3.
11. There have been studies of sources of the fund for the personal consumption of the population over the period from 1950 to 1970 with respect to 200 items in the classification of that consumption in which 55 commodity groups were identified. The calculations were revised on the basis of data from a survey of the VNIKS [All-Union Scientific Research Institute of Consumer Demand and Market Conditions], which covered 90,000 families living in different regions of the country, and 170,000 rural households (V. N. Kirichenko, "Problems in Studying Social Wealth," IZVESTIYA AN SSSR. SERIYA EKONOMICHESKAYA, No 2, 1975, pp 14-15.
12. EKONOMICHESKAYA GAZETA, No 50, 1980, p 2.
13. PLANOVVOYE KHOZYAYSTVO, No 1, 1980, p 43.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

THEORY'S TASKS IN ADVANCED SOCIALISM OUTLINED

Moscow VOPROSY EKONOMIKI in Russian No 11, Nov 81 pp 119-129

[Article by V. Medvedev: "Certain Problems in Economic Theory in the Light of the Decisions of the 26th CPSU Congress"]

[Text] The 26th CPSU Congress paid a great deal of attention to the science of economics. In the report address of the CPSU Central Committee to the congress L. I. Brezhnev twice took up this matter. In connection with examination of the problem of improving methods of guiding the economy he noted that "the problems which reality is posing call for the development of theory, of economic science and require that it come closer to the needs of economic practice." In evaluating the state of affairs in the field of the social sciences L. I. Brezhnev emphasized that "quite a few problems waiting to be solved have accumulated in the political economy of socialism."

The assessments given above complement one another, and taken together they determine the principal content and character of present-day tasks in the field of the economic theory of socialism. Those tasks have arisen from the qualitatively new stage of development of the socialist economy, from its fuller subordination to satisfying the needs of the workers and from the turn toward production efficiency. The new conditions and tasks need more thorough conceptualization in the terms of political economy, and that in turn is expected to facilitate the restructuring of the system for management of the socialist economy that is now being carried out.

Economic science has performed quite a few basic and applied research projects in recent years which have served as the basis for practical decisions made in the course of improving the economic mechanism. One can include among them research in the field of the efficiency of capital investments, planning indicators, remuneration and incentive procedures, etc. At the same time economic science owes it to economic practice both to work on particular problems and also to furnish an interpretation of present-day changes in economic development in the terms of political economy.

An elaborate description of the tasks of economic science arising out of the decisions of the 26th CPSU Congress has been furnished in the statement made by M. V. Zimyanin, secretary of the CPSU Central Committee, on the occasion of presenting the Order of Labor Red Banner to the staff of the Economics Institute of

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the USSR Academy of Sciences¹ and in the "Basic Directions for the Effort of the Economics Department of the USSR Academy of Sciences in Developing the Science of Economics in the Light of the Decisions of the 26th CPSU Congress," adopted by the General Assembly of the Economics Department.²

This article principally examines problems in further development of the theory of the socialist economy as a system of directly social production. After all, the main direction in development of socialism's economic system and in the restructuring of the economic mechanism is to utilize more fully socialism's fundamental advantages as a system of directly social production and to improve management and its basic link--planning--in a very close relationship with the use of commodity-money instruments and incentives. We need to bear in mind in this connection that expanding the independence of economic entities and developing commodity-money relations will be able to effectively contribute to improvement of socialist conduct of economic activity only in relation to and on the basis of centralized planned management of the economy.

From this standpoint it is very relevant and urgent to the political economy of socialism to do more work on the system of categories of directly social production and on problems related to its supreme and immediate goal, to efficiency, to planned regulation of the economy, and to the use of commodity-money relations.

On the Goal of Socialist Production

In the discussion of the draft of the first party program, and later in his remark about N. I. Bukharin's book "Ekonomika perekhodnogo perioda" [The Economic System of the Transitional Period], V. I. Lenin noted the inadequacy of the explanation that socialist production would serve to meet the requirements of society. He emphasized that it was characteristic of socialism to organize the production of products "not only to meet the needs of the members of society, but also to guarantee the full well-being and free comprehensive development of all members of society."³

In those years comprehensive development of the personality was a phrase that expressed a general programmatic requirement characterizing the deepest essence of the new communist society, but it did not figure as an upcoming practical task. In the context of advanced socialism, in which production is subordinated more fully to meeting the needs of the workers, the situation is changing. As noted in the "Basic Directions for the Economic and Social Development of the USSR Over the Period of 1981-1985 and up to the Year 1990," creation of better conditions for comprehensive development of the personality is becoming an organic component of the party's economic strategy and a goal of its practical activity.

Transforming the requirements of the workers into the main point of departure for planning greatly complicates the entire process of planned management of the economy by comparison with the periods of industrialization or economic recovery, when it was above all a question of achieving specific targets in the production of the principal product, in building or developing new sectors, and so on. The goal of production stated in the form of meeting needs is a concrete-historical goal, one that moves. Every step forward in the development of

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production and other spheres of social life alters man and has an impact on the scope and makeup of his needs.

Under those conditions devising scientifically sound conceptions of needs actually taking shape and of future patterns of change is assuming the greatest theoretical and practical importance. Planned economic development aimed at man's comprehensive development is impossible without it. First, of course, the problem must be solved of complete satisfaction of needs for first necessities, food above all. The comprehensive food program drafted by instruction of the 26th CPSU Congress is aimed at that. As the demand for first necessities is met, the problem of studying the ways in which needs developed and of society's planned influence on that process arises with ever greater urgency.

There is some experience in the study of demand. Working out optimum standard rates of consumption of foodstuffs and industrial goods and studying shifts in the pattern of the public's effective demand are of particular practical importance. The study of the economic and other aspects of the socialist way of life opens the way to more profound and general problems. But in our view this is not enough under present conditions. There is a full-fledged need for an interdisciplinary study of the entire range of people's material, nonmaterial and social needs by the united efforts of sociologists, economists, psychologists, physiologists and other specialists. This could result in preparation of forecasts and recommendations both for planning production and also for the entire effort of shaping the new man. But probably this would require setting up an appropriate large scientific center.

The methodological foundation for such a study might be V. I. Lenin's substantiation of the general sociological law of rising needs, which is manifested in a change in the volume and makeup of needs and a change in methods of satisfying those needs under the impact of the gradual development of society's productive forces and science and culture. In the context of socialism, and especially in its advanced state, this law operates with the greatest consistency and completeness. The entire system of social relations, people's work activity, the social environment, ideology, spiritual culture, and the moral and psychological atmosphere are conducive to man's development and enrich and elevate his needs. They are also influenced by concrete-historical and geographic factors and ethnic customs.

For all its complexity and the large number of factors involved, the process whereby needs change needs to be consciously managed. Haphazard development in this area could lead rather to the reproduction of standards, models and rates of consumption already known than to movement in the direction of the fundamentally new forms and patterns of consumption of the future communist society. That is why the CPSU's social program presupposes a purposive influence on the volume and pattern of needs. Its point of departure is that the growth of consumption is not a goal in itself for socialist society, but a means of shaping the new man, of comprehensive development of the personality, and of improving the socialist way of life.

The 11th Five-Year Plan presupposes a sizable advance in all the directions that determine the qualitative aspect of people's life. One of the leading places in

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the program for raising the standard of living of the workers is occupied by improvement of the socioeconomic and production conditions of labor, by intensification of its creative character, and by a full-fledged reduction of manual, low-skill and heavy physical labor.

Scientifically sound parameters need to be developed for all the components of well-being--components such as the meaning of work, working conditions, the duration and content of worktime and leisure time, education, culture, housing, opportunities for rest and recreation, organized sports, protection of the immediate environment, the level of nonmaterial needs, people's civic activity, their participation in management, and so on. The problems of the relationship between people's material and nonmaterial needs, between group forms and individual forms of meeting needs, between public and personal ownership of certain goods, between types of housing, and so on, are very relevant ones. We should take into account that the various needs are closely interrelated and in a number of cases are capable of substituting for one another either completely or partially, while the limited nature of resources at any particular moment makes it necessary each time to resolve the question of the degree of urgency and of the order of priority in satisfying them. Society possesses a large degree of freedom in selecting among alternatives for increasing well-being within the limits of the resources at its disposition. It is this freedom which makes it possible to shape the pattern of consumption in a planned way so that it comes closer step by step to the communist ideal of the harmoniously developed personality.

The objective function of the development of socialist society as it grows toward communist society can be represented in the form of a series of values of well-being (with definite qualitative and quantitative characteristics), each of which corresponds to successive levels of formation of the comprehensively developed personality and of the rise to communism.

Intensification of the study of the needs, well-being, and patterns of comprehensive development of the personality raises yet another question--identification of the supreme goal of socialism as a system and of the immediate goal of socialist production as its subsystem. After all, needs are not only and not so much an economic category as a broader social category.

It is equally true that well-being is not a purely economic concept either. Aside from its economic basis in the form of real income, it includes a range of social factors, including the amount of free time and conditions for its use, the level of satisfaction of intellectual and social needs, people's participation in civic life and above all in management of material production and society, etc.

Harmonious development of the personality cannot be the result of the production of material goods alone. It figures as the product of social progress as a whole and of all the spheres of socially useful activity--both productive and nonproductive, the latter including science, education, culture, the service sphere, physical fitness and athletics, work with children, and so on. Moreover, the role and relative share of the sectors of the nonproductive sphere in meeting people's needs increased noticeably in advanced socialist society and will be growing in the future.

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The production of material goods is the basis of the society of mature socialism, its principal subsystem. The supreme goal of material production is the same as for socialism as a whole, but within that framework production has its own specific function which only it performs and which cannot be performed by any other sphere of human activity. This is creation of the social product, which is intended for meeting needs and ultimately represents the material basis of the comprehensive development of society and of the personality.

In his theoretical statements of the problem of socialism and in his practical effort to set up socialist society V. I. Lenin always emphasized the decisive importance of the production of material goods. "Once the proletariat has taken over the power of the state," he wrote, "its most important and fundamental interest is to increase the amount of products."⁴ At that time it was a question of meeting the most urgent needs of the workers and of the economy. But even under the conditions of advanced socialism, when a mighty economic potential is in existence and when tremendous success has been achieved in developing and satisfying the material and nonmaterial needs of the members of society, the task of expanding the production of material goods and of improving their quality remains in the foreground. As pointed out at the 26th CPSU Congress, "we can carry out the large and diverse program of raising the prosperity of the people only by developing material production and by raising its efficiency."

On the Place of Use Value in the Economy of Advanced Socialism

Subordination of social production to the task of obtaining the maximum social product to meet people's needs is radically changing the socioeconomic function of use value. K. Marx and F. Engels foresaw enhancement of the role of use value in the economy of the future society and its actual incorporation into the socialist economic mechanism. As early as "The Poverty of Philosophy" K. Marx noted that "in the future society...the amount of time which will be devoted to production of a particular article will be determined by the degree of that article's social usefulness."⁵ In "Anti-Duhring" F. Engels emphasized that the production plan "will ultimately be determined by weighing and comparing the useful benefits of various consumer goods with one another and with the amount of labor necessary to produce them. People then do all this very simply, without resorting to the services of a glorified 'value.'"⁶

This is no mean problem. Yet we cannot say that it is insoluble. The problem of a social valuation of use value and of finding ways of measuring and comparing them is one of the urgent problems of economic theory. This applies both to the means of production whose purpose consists of saving social labor and of raising its productivity, and also consumer goods. That accounts for the tremendous importance of use valuations with which commensuration and comparison both of consumer goods and also of means of production are possible.

The most complicated problem is commensuration of consumer goods. It is thought by some that the qualitative differences in consumer goods preclude the possibility of their comparison and quantitative expression. In our view this opinion is without substantiation. Qualitative homogeneity is always relative; there is never any absolute identity of quality. For things to be commensurable, it is necessary and sufficient that they be alike in some respect. The

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comparative evaluations of things pertain, of course, only to the characteristics which they have in common. That is why a conclusion should first be made concerning the commensurability of interchangeable products intended to satisfy a given need. This commensurability is mediated through the extent to which the need is satisfied. It is obvious that those interchangeable products which satisfy a larger need at given expenditures of labor are preferable for society.

K. Marx felt that "a product as use value is measured by the need for it."⁷ Elsewhere he wrote: "... More and more when men apply to certain products of the external world...the stamp 'good,' they are comparing these 'goods' with one another and placing them in a certain order according to the hierarchy of their needs, i.e., or, if you like, 'measuring' them.... This does not involve at all what we mean by 'measuring value.'"⁸

Socialist society is also constantly solving the problem of comparing products which meet different needs, or, more precisely, of the level of urgency and the order of priority of satisfying different needs. That is, making a comparative evaluation of the usefulness of different goods. In accordance with those assessments products are arranged in an order reflecting the level of urgency of the respective needs. They are also relative in the sense that they depend on concrete conditions. But without them there can be no scientifically sound solution of the problem of finding the national economic optimum.

The very concept of maximum product cannot be boiled down to volumetric and quantitative characteristics, but presupposes a certain composition of the product with respect to quality that corresponds to a particular pattern and a particular level of needs. Maximization of the product does not merely signify enlarging it, but changing its composition and improving quality in accordance with changing needs. The selection of a particular mix that represents the maximum product consists in fact of comparing the level of urgency of various needs and the social necessity of producing the particular consumer goods.

Comparability of means of production is more obvious. The means and subjects of labor constitute the material basis of labor productivity. That means that their use valuation may be derived from their ability to guarantee a particular productivity of labor. They should express the labor saved by using the given means of production in obtaining a specified volume of the final product. In other words, they show how much additional labor society would have to expend to manufacture the same volume of output if the given means of production is not used. The aggregate valuation of all means of production expresses the total labor saving afforded by their use.

The labor saving is a different expression for the growth of its productivity, that is, for the increase in the mass of the product, and in the final analysis, for the volume and level of the need satisfied at given costs. The valuation of the production factors in terms of labor can be interpreted like physical values, expressing their contribution to attainment of the national economy's goal. The dimensionality of the valuation, moreover, has formal significance. The valuation may vary (in hours, rubles, and so on) depending on the given dimensionality of the objective function.

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Economic theory has shown a greater interest in working on the problems of social use value in recent years. In our opinion this is one of the promising and fruitful lines of development for the development of economic theory and at the same time for improvement of planning practice. The time calls for attention to be paid to the problems of use value and to methods of estimating it and measuring it in connection with the national economy's turn toward fuller satisfaction of needs. Unless these problems are solved, it is impossible to fully reorient planning toward attainment of high final results. Work on the problems of use value affords better conditions for solving such urgent problems as setting up a system of measures of output which take into account product effectiveness in consumption, as improving balance in the national economy, and as linking physical and value proportions.

What we have said does not, of course, signify any belittlement of the role of measuring the costs of manufacturing means of production and consumer goods. Use and cost valuations of output should be examined inseparably from one another. It is completely obvious that this arises out of the statements of Marx and Engels quoted above. In this stage costs are measured in value form. The methods and procedures for this measurement, though worked out by theory and practice long ago, are also in need of development and improvement. Yet the problem of economic commensuration of use values is still awaiting its solution. Its importance is determined by the growing significance of improving the technical performance and service characteristics of products in raising production efficiency.

On the Efficiency of Socialist Production

The turn toward efficiency is one of the main points in the party's economic policy in the period of advanced socialism. Much attention was paid at the 26th CPSU Congress to problems related to completing this change of direction, to the national economy's transition to predominantly intensive development. A straightforward definition of the content of the economic efficiency of production was given in the documents of the congress. "Intensification of the economy, raising its efficiency, if this formula is to be translated into the language of practical affairs," L. I. Brezhnev said at the congress, "consists above all of a growth of the results of production which is faster than the growth of production cost so that more can be obtained by committing comparatively less resources to production."

It is urgent to provide an interpretation of production efficiency in the terms of political economy because this lies on the main line of the connection between the scientific-technical revolution and socialist production relations. The content of this category must fully reflect the economic result of changes in the productive forces of the present time, which are conditioned by the scientific-technical revolution. The vigorous impact of socialist production relations in the direction of speeding up scientific-technical progress and an all-out economy in the use of social labor should be manifested through the planning and stimulation of production efficiency.

Yet the problem of production efficiency has not yet been given appropriate expression in the political economy of socialism. Until recently this category

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was equated with the productivity of labor or was examined in its application to specific concrete problems, above all the efficiency of capital investments. Assertions to the effect that a summary indicator of production efficiency is impossible are in essence equivalent to a denial of the independent existence of production efficiency as an economic category of socialism. Moreover, they in fact disarm economic practice in rather widespread situations when the components of efficiency are changing in opposite directions.

At the present time these shortcomings are gradually being eliminated, but another problem is arising in connection with analysis of efficiency so as to take into account the entire set of social consequences--human development, completeness of satisfaction of human needs, the character of labor, use of free time, and so on. All of this is included in the concept of the social or socioeconomic efficiency of production. It is justified to pose the question in these terms, but it must not overshadow or absorb the problem of production efficiency proper as the relationship between the results of production and its costs and must not divert attention from it. Nor are such fears without basis.

The trouble is that the relative magnitude of the social product is not uncommonly regarded as a technical-and-economic category which supposedly pertains only to the sphere of the productive forces and does not express socialist production relations. From this standpoint it is set in opposition to social or socioeconomic efficiency as a kind of general economic category deprived of any definite social orientation. Its importance is thereby diminished, like it or not. It is in essence excluded from the system of socialist socioeconomic categories.

In our view there is no basis whatsoever for treating the relationship between the product and the resources expended as technical-and-economic efficiency if the results of production and the costs are taken not in abstract form, but in the specific form inherent in socialism, which includes a definite social orientation. The directly social character of the product signifies its inclusion in the supreme goal of socialism and an evaluation made on the basis of comparison against the requirements of comprehensive development of society and the personality. It is not every expansion of the volume of production that signifies enlargement of the directly social product, but only that expansion which corresponds to the needs of society. Thus there can be no question of the directly social product being indifferent to production relations or of the absence of a social orientation. The same thing pertains to the social form of costs. It is another matter that the social form of the results and the costs under socialism does not differ from their general economic and "natural" purpose, as it is under capitalism, and that it corresponds to it. The absence of an antagonistic contradiction between the social form of production and its "natural" content should not be taken for a disappearance of this form.⁹

As for human development, which we are called upon to regard as the socioeconomic efficiency of production, it should be borne in mind that it sums up the efficiency not only of production, but also of the other spheres of social life and activity. We can imagine a hypothetical situation in which the growth of production efficiency is accompanied by a corresponding progress in human development and by a harmonious combination of man's needs and social and personal

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interests. High production efficiency by no means automatically results in success in shaping the new man. This is a large and independent problem that falls outside the confines of production and has to do with the relationship between material production and the nonproductive sphere, between individual and collective forms of satisfying needs, the development of the spiritual and ideological complex of socialist society, and so on. This is also indicative of the need to identify within the confines of the general goal of socialism, which consists of raising the level of well-being and of comprehensive human development, the specific function of socialist production--which is to obtain the maximum of the directly social product.

On the Planned Nature of the Socialist Economy and Commodity-Money Relations

Relying on the expressions of K. Marx and V. I. Lenin, the political economy of socialism regards conformity to plan as one of the objective and organically inherent characteristics of socialism. This is the general form of regulating economic (and not only economic) processes under socialism, it is an objective characteristic of a socialist economy, one which is realized in practice through its planning. It represents one of the principal advantages of socialism, which are manifested most fully in the stage of advanced socialism.

Books and articles on the problems of conformity to plan (planomernost') have an unfortunate tendency to confine their theoretical calculations to the most general and abstract arguments. Yet conformity to plan is expressed in the entire system of economic categories of directly social production, which have a most important role to play in the mechanism for regulating it. From this standpoint more attention should be paid by political economy to such a category as the norm or standard. The norm is an instrument for planned development of socialist production which is in extremely wide use; it is the principle by which worker and collective performance is evaluated and material incentives awarded. V. I. Lenin's words to the effect that the plan "is a scale, a criterion, a lighthouse, a landmark" can be applied with full justification to the norm.¹⁰ Devising a set of norms that encompasses the principal aspects of production, exchange and distribution of products is one of the most important tasks in improving management and planning. The new content of the category of socially necessary expenditures of labor in the socialist economy is also related to this.

Averaged socially necessary expenditures, which make up the cost, is only one of the historic forms of socially necessary expenditures, one which is inherent in the system of commodity production. K. Marx noted: "... No form of society can prevent the worktime which is at the disposition of society from regulating production in one way or another."¹¹

Average expenditures of labor retain an important informational and stimulative role even in a socialist society. But socialist production cannot be regulated through the mechanism of average expenditures and nothing more. Establishing a standard value of expenditures on the basis of the average expenditures of the sector or branch is incapable of identifying the line that separates the necessary expenditures from those which are not necessary. To give up establishment of that line on the basis of centralized planning would signify a return to

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market regulation of production. Management of production in conformity to plan presupposes social recognition of expenditures of labor incurred in manufacturing the product, beginning with the maximally permissible expenditures under the worst conditions, which are incorporated in the national economic plan, and ending with minimum expenditures under the best conditions of production. Of course, attention must be paid not to just any expenditures which have actually been incurred, but to expenditures which are optimal, and which are socially conditioned by the level of the physical factors of production. They may be expressed in differentiated standard levels of expenditure of live and embodied labor.

The treatment of socially necessary expenditures of labor as a series of differentiated values have brought an objection from many authors on the grounds that their use could detract from incentives for technical transformation of production. This fear would seem to be groundless. On the contrary, evaluation of the performance of each unit of the economy based on progressive standards which take into account the objective conditions of production, standards which remain stable for a certain period of time, is generating motivation to improve production in every unit of the economy.

The criterion based on the average for the sector or branch offers no advantages whatsoever with respect to this motivation and generates its own problems. This has to do with the fact that it is shaped not only on the basis of the objective conditions, but also under the impact of actual expenditures, including those which are inefficient. It creates "hothouse" conditions for the best enterprises and sections of production and can as a consequence detract from incentives for improvement of production. As for the worst conditions, here the use of the criterion based on the average of the sector or branch does actually expose the need for a radical transformation of the given unit. But the decision on that transformation lies outside the competency of that enterprise. It must be taken at a higher level on the basis of the optimum from the standpoint of the national economy and must be oriented not toward the standard based on the average for the sector or branch, but toward the best indicators achieved in world practice.

The principle of a series of differentiated socially necessary expenditures has not been generally recognized in political economy. But it is making its way in practice. This is manifested in the fact that excess profit, which is not the result of the collective's performance, is taken away from enterprises which are operating under the best conditions. And a planned subsidy must be paid to enterprises operating under the worst conditions. In essence the solution of this problem does make provision for establishing differentiated rates for formation of incentive funds. But these are far from perfect forms of the solution. There is something forced about them because the criterion based on the average of the sector or branch is used.

Certain essential revisions and supplements have begun to be made in the treatment of the average socially necessary expenditures of the sector in recent years. A number of authors write that in addition to the socially necessary expenditures, there also exists in a socialist economy the socially permissible expenditures under the worst conditions of production. This is an important

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step toward recognition of the entire series of differentiated expenditures as socially necessary expenditures.

This recognition could help to bring the entire conception of conformity to plan to the point of developing a specific mechanism for regulating socialist production and to a clear view of ways of improving a system appropriate to socialism for evaluation and material stimulation of the performance of collectives. It would seem that recognition of a differentiated series of expenditures (but in dynamic form, not congealed form) as socially necessary could serve as the theoretical basis for devising a system of standards for evaluating enterprise performance that would remain in effect for lengthy periods. We need to add that the differentiated series of socially necessary expenditures is closely bound up with valuations of the use value of the factors of socialist production and of its result within the confines of the general system of categories of directly social production.

In an advanced socialist society it is still necessary to use commodity-money relations and the law of value. The task of political economy in this connection is to furnish, relying on the classical legacy of Marx, Engels and Lenin and the historical experience of socialism and taking the conditions and needs of the present stage as points of departure, a thorough substantiation of the role of commodity-money relations and the law of value in the economic system of advanced socialism and to substantiate ways and methods of making better use of them to increase the efficiency of socialist production.

Commodity-money relations exist in real life neither separately nor parallel, but in dialectical interaction with the basic content of socialist relations, to which they import complicated and multilevel economic form in which the influence of the various aspects of socialist relations is crisscrossed. For instance, in the categories genetically related to directly social relations, for example, in assigned standards, the influence of commodity-money relations may be manifested with greater or lesser force. To be specific, this applies to the rates regulating the formation of material incentive funds, the wage fund and distribution of profit, rates which remain in effect for long periods of time. The complicated "tangle" of economic relations is embodied in the wage.

At the same time, directly social relations may also be manifested in categories which owe their origin to commodity production. This applies above all to the price, production cost and profit. The planned price under socialism remains the money expression of value. But in elucidating its essence it would be insufficient, and that means incorrect, not to go beyond that definition. It also performs the role of a planned standard applied to costs. This role is expressed with particular vividness in the price for producers of the socialist product, and it is this function of the wholesale price that must be taken into account first of all in the process of improving pricing. Much the same arguments are legitimate with respect to profit and the production cost, not to mention credit, finance and other instruments traditionally referred to as value instruments.

Historic experience indicates the need for fuller use of commodity-money relations in the stage of advanced socialism as well. This effort offers a sizable

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potential and opportunity for speeding up the growth of socialist production and for raising production efficiency.

The socialization of production, which is taking place at a fast pace under the conditions of advanced socialism, is having a contradictory impact on commodity-money relations. As the primary economic entity becomes larger thanks to the formation of production associations and agroindustrial integration, commodity-money relations are, it seems, being pushed to a newer and higher "story" of the economic organism--into the sphere of interrelations among associations and complexes. Here the role of commodity-money relations is growing. The large associations are distinguished by considerably greater economic independence and greater opportunities for exerting an influence on the level of production and distribution costs.

In the course of the restructuring of the economic mechanism that is now being carried out provision has been made for associations and large enterprises to establish stable rates of transfers from profit left to their disposition. Associations and enterprises have been given broader rights to use depreciation and also Gosbank credits, and the wage fund is now to be planned on the basis of long-term standards per ruble of output. But within associations and enterprises cost accounting (khozraschet) is in a sense being restructured after the intraplant model. At this level commodity-money relations are secondary and derivative in nature.

Finding the optimum combination of centralized planned guidance of the economy with economic independence of associations and enterprises, with the leading role played by the former, is one of the most important problems of the present stage of improving the economic mechanism, and theory is called upon to help in solving it.

FOOTNOTES

1. VOPROSY EKONOMIKI, No 7, 1981.
2. VOPROSY EKONOMIKI, No 4, 1981.
3. V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 6, p 232.
4. V. I. Lenin, op. cit., Vol 44, p 345.
5. K. Marx and F. Engels, "Sochineniya" [Works], Vol 4, p 97.
6. K. Marx and F. Engels, op. cit., Vol 20, p 321.
7. K. Marx and F. Engels, op. cit., Vol 46, Part 1, p 381.
8. K. Marx and F. Engels, op. cit., Vol 19, p 382.
9. We should note that the epithet "technical" is not suitable to phenomena pertaining to the productive forces. It is well known that V. I. Lenin

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opposed description of the productive forces as a technical category. See: V. I. Lenin's remarks about N. I. Bukharin's book "Ekonomika perekhodnogo perioda," LENINSKIY SBORNIK, November 1929, p 371.

10. V. I. Lenin, op. cit., Vol 43, p 382.

11. K. Marx and F. Engels, op. cit., Vol 32, p 9.

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ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

AGANBEGYAN BOOK ON MANAGEMENT REVIEWED

Moscow VOPROSY EKONOMIKI in Russian No 9, Sep 81 pp 140-142

[Review by G. Popov and Ye. Kocherin of the book "Upravleniye Sotsialisticheskimi Predpriyatiyami" ["The Management of Socialist Enterprises"] by A.G. Aganbegyan, Moscow, "Ekonomika," 1979, 448 pp]

[Text] The book is unique in its conception. It is at the same time a textbook and a scholarly work. In our opinion, this is the most correct approach to preparing instructional aids for enterprise directors who assimilate purely instructional material better and more fully if it is set forth in connection with problems that concern practical economic workers. For this reason let us emphasize immediately that on the whole the author has succeeded in preparing an interesting work.

At the same time, in order to strengthen this kind of orientation toward its readers--economic executives--it would have been useful to have activated their attention even more. Control questions connected with the topic could have been placed at the end of each chapter, and the chapters could have been supplemented with a description of several concrete situations. This would have made it possible to clearly show that the improvement of production management is a continuous process and that the reader personally can and should make a contribution to this work. This kind of variant of the organization of the book's chapters would have been all the more easy to realize, since the faculty for the advanced training of executive cadres at Novosibirsk State University which is directed by A. Aganbegyan has accumulated experience in the use of active methods of teaching.

The book opens not with the traditional characterization of the enterprise, but with a description of the contemporary problems of the development of the economy (Chapters 1-3). There is an examination here of such questions as the essence and tasks of the economic management of the development of social production and its social thrust, and the orientation toward increasing efficiency and improving work quality and toward accelerating scientific and technological progress. This makes it possible for enterprise directors to have a clear awareness of the general line of economic development and to guide themselves by it in making concrete decisions. This kind of structure for the monograph is without question successful. Indeed, with the centralized planned management of the economy the "rules of the game" and general strategy are formed not at the enterprise itself, although it participates actively in this. An analysis of the problems of the economy involves the disclosure of common goals and of development paths for any enterprise.

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In developing this idea it would probably have been useful here to investigate problems which concern not only management as a whole, but also the system of branch management. It is equally important for an enterprise to "fit in" to both branch and regional economic systems. For this reason, besides a description of the branch aspect, it was necessary to also reveal the territorial aspect of economic life, which would have been useful for the enterprise director.

The book is distinguished advantageously from many text books by the wide range of the enterprises which are analyzed and by its profound study of the advanced experience of their economic management. Concrete examples, numerical data, and experiments--all this saturates many of the work's chapters. Apart from the task of elucidating or confirming one or another proposition, this material is of important independent significance, indicating to the reader the addresses of advanced experience and motivating the author's recommendations.

Note should also be taken of one more characteristic of the book. The experience and problems of the development of Siberia's enterprises and associations are presented for the first time in the text book literature. In the light of the well-known instructions of the party and the government on speeding up the development of Siberia, the analysis of this experience plays a large role.

The application of what the author has called the methodological principles of management (Section II, Chapters 4-9) has taken up a substantial place in the monograph. This concerns the orientation of enterprises toward the final results of their work, toward a future-looking approach and toward the use of systems analysis and of the study of operations, of special-purpose programmed methods, and of a socio-psychological approach. This is the first time that these questions are described so fully and systematically in our instructional literature. The first section "Methodological Principles of Management" is undoubtedly one of the best in the book, although its name is not entirely successful, since political economy and scientific communism are above all the methodological principles of management. In this work what is discussed is not the methodological principles of management, but the present-day characteristics of its improvement and the equipment for such an improvement.

Among the chapters of this section, one wishes to take special note of the chapter on the future-looking approach. In the light of the instructions of the 26th CPSU Congress regarding the necessity for cultivating in leaders an "ability to see the future prospects," the conclusion that strategic leadership is the chief duty of the economic executive sounds especially up-to-date. The importance of the future-oriented approach in the work of the leader is demonstrated on the basis of the experience of advanced industrial and construction leaders. Precisely in its ability to see and realize the future is one of the chief advantages of socialist planning as a whole which, in connection with this, makes definite demands upon the quality of economic leadership.

While we place a high value upon the entire first section, we would like to wish that the author in his further work on the book provide a special chapter on the interbranch relations of enterprises and on interbranch integration. Various kinds of agro-industrial associations, the appearance in connection with production assoc-

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iations of firm stores, and the creation by production associations of a network of enterprises for consumer services--all of this testifies to the fact that under present-day conditions interbranch relations frequently prove to be no less important than intrabranh relations. An analysis of the process of strengthening interbranch integration and a search for the forms of the accomplishment of this process are important problems of the future development of the system of management.

The third section of the book (Chapters 10-16) is devoted to the various sectors of improving the system of the management of socialist production. Combining an instructional approach to the selection of the issues which are treated with their examination as problems, A. Aganbegyan reveals the basic aspects of the development of democratic centralism in production management, planning, the organization of production and management, and in the economic methods of management. The chapter on the structure of management is interesting in the light of the statement by L.I. Brezhnev at the 26th Party Congress regarding the necessity for strengthening work in this field. The singling out of a paragraph on the planning of organizational structures for management deserves a positive evaluation. This kind of material strengthens the general pragmatic thrust of the book and is very topical, since during the formation of associations many economic executives have come up against the acute problem of developing management structures.

At the same time, in the chapter on management structures more attention should have been devoted to the experience of VAZ /Volga Motor Vehicle Plant/. The contemporary approach to the management of enterprises is based on the close integration of the various functions of management. Therefore, an improvement of the structures of managing enterprises requires a greater orientation toward the fusion of management functions. At the present time in our literature the functions of management are looked at in an excessively differentiated manner, which theoretically seemingly justifies their fractioned condition. The content of the work of an enterprise's departments is organized strictly according to functional characteristics. As a result, a large amount of partial information circulates at the enterprise, but there is insufficient information which generalizes, synthesizes and characterizes the state and level of the operation of the enterprise as a whole (and this is precisely the kind of information needed by directors).

The cursory description of the problems of accounting and control is hardly justified. Research shows that directors spend a substantial part of their working time on control work. For this reason, it is important to show on the basis of theory and advanced practical experience how to carry out control, which is a powerful management instrument, correctly and effectively. It is especially effective if it is oriented toward future events in the management process. The issues of control are touched upon in the book (Chapter 19), but only in the verification of the execution of decisions. However, reducing the role of control merely to the verification of execution is hardly correct, since both the composition of a plan and the preparation of a decision, in a word, the entire management process is also in need of control.

The inclusion of the question of the role of the party organizations of associations and enterprises in the chapter on the participation by workers in production man-

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agement also seems to us to be debatable. Of course, there is an important aspect in the work of the party organization which is connected with involving workers in management. But the chief functions of party organizations are control over the work of administration, the selection and placement of cadres, educational and ideological work, and the immediate organizational work connected with solving crucial economic and social problems. The creation of associations has brought much that is new into the work of party organizations. It would have been useful to have examined all of this in a special chapter.

The concluding fourth section of the book (Chapters 17-21) examines cadre policy, the organization of labor, the making of managerial decisions, the analysis of the economic activities of enterprises, and ASU /automated control systems/. The best chapter in this section, in our opinion, is the chapter on ASU. Especially useful is the description of advanced experience in the field of the creation of automated management systems on the basis of computers: in particular, this concerns the "Barnaul" ASU. It is known that a large amount of work is now being carried out in the country on the development of ASU. But it is by no means being conducted as effectively as is necessary. The development of an ASU for the Barnaul Radio Plant is of especial interest. An integral approach was adopted for the preparation of the information system for the "Barnaul" ASU. Here, the central part of the ASU which is connected with the planning and management of production is a single one and is not broken up into individual subsystems. The experience which was gained in the creation of the "Barnaul" ASU made it possible to move on to the development of the "Sigma" ASU--this is an ASU of a new generation which is based on computers of a single series and which possesses adaptive properties which make it possible to adapt it easily to diverse production and economic conditions, above all, to the enterprises of the machine building branches of industry. Dozens of enterprises in the country have now embarked upon the introduction of the "Sigma" ASU.

The chapters on the managerial decision, the organization of the labor of the director, and on the analysis of economic activity are well written. True, the chapter on the selection, placement, and education of cadres is a descriptive character. In general, there is a lot of material in this section which would have been justified if this were a traditional textbook oriented toward the mandatory treatment of all of the points in the curriculum. But this kind of material is not mandatory with the conception which the author chose. Many problems (for example, evaluating the efficiency of management) merit a broader examination.

The structure of the book's sections and the distribution and the logic of the placement of its chapters give rise to a number of criticisms. The lack of correspondence between the name of the first section and its content has already been noted. The third section is called "The Problems of Improving the System of Managing Socialist Production," but it does not contain the problems of the selection and placement of cadres and certain other issues which are described in other sections of the book. But are not these chapters about the improvement of management? Therefore, the third section would more correctly have been called "The Organization and Methods of Management."

Some criticisms have to do with the distribution of the chapters by sections. It is clear that the chapter on ASU gravitates more toward the first section of the

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book. In the same way, the division of the problems of decision making among materials in chapters 8 and 19 is not entirely justified. It turns out that the methods of making optimal decisions are given long before the general scheme of decision making. It would have been better to have placed the chapter of analysis of economic activity in the second section where the problems of planning and cost accounting are examined.

The logic of the placement of chapters is sometimes violated in the book. Why is the chapter on planning separated from the chapter on the economic levers of management by the chapters on production organization?

But all of these complaints, possibly, are given rise to by the evaluation of A. Aganbegyan's book as a textbook. If one considers that the author himself in the preface defines the genre of his work somewhat differently, then it is clear that it would be wrong to take too "textbook" an approach to the structure and logic of the chapters. On the whole, the monograph under review represents an important step forward both in the scientific literature on the management of enterprises and in the textbook literature on these questions.

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REGIONAL DEVELOPMENT

SUCCESS, PROBLEMS IN INTRODUCING NEW SYSTEM

Moscow VOPROSY EKONOMIKI in Russian No 9, Sep 81 pp 25-34

[Article by N. Santeladze, Tbilisi: "GSSR Experience in Perfecting the Economic Mechanism"]

[Text] L. I. Brezhnev's speech at the ceremonies dedicated to the 60th anniversary of GSSR and the Georgian CP contained a thorough and comprehensive analysis of the most important economic and social processes and set forth the crucial problems in Georgia's future socioeconomic advancement. One of the principal problems posed by L. I. Brezhnev is that in the years immediately to come Georgia must catch up with respect to certain indicators of economic development. Comprehensive performance of measures to restructure the economic mechanism and improve leadership at all levels of management of the economy are being called upon to play an important role in performing this task.

A purposeful organizational and political campaign is being conducted in GSSR to carry out the decree of the CPSU Central Committee and USSR Council of Ministers on improvement of the economic mechanism (July 1979). An intensive process of step-by-step performance of the measures outlined in connection with that decree began in the second half of 1979.

The Bureau of the Georgian CP Central Committee has been regularly hearing reports of party committees of regions, of the heads of ministries and departments and of directors of enterprises and organizations on progress in improving the economic mechanism and has been guiding them toward performance of the measures outlined by the party and government in this area. In 1980 reports were discussed on the organizational and mass-political effort to carry out the decree of the CPSU Central Committee and USSR Council of Ministers on further improvement of the economic mechanism from the Leninskiy Rayon Committee of the Georgian CP (Tbilisi), from key officials of the Kutaisi Motor Vehicle Plant imeni S. Ordzhonikidze, the Rustavi Metallurgical Plant, GSSR Gosplan, the Abkhazskaya ASSR Council of Ministers, etc. Plans of specific organizational, technical-and-economic, housekeeping and propaganda measures related to the transition to the new system of planning and management have been drafted and approved. The task has been set of linking closer together the efforts to prepare for the transition to the new system of economic activity with further improvement of the quality of management and planning of production, economic analysis, book-keeping and reporting, and the setting of work norms and allowances pertaining

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to material resources in order to regularize the entire set of norms and standards drawn upon in planning.

Many directors of enterprises, production associations in the industrial sector, construction organizations and other organizations have been constantly improving their knowledge of the problems in management of the economy. At the same time certain managers still have a poor knowledge of economics, and at times they show incompetence in management, which results in expenditure of working capital for other than the stated purpose and diversion of physical and financial resources for projects not envisaged by the plan. The result of this is that a number of enterprises and organizations turn out to be in a difficult financial-economic situation.

In accordance with the requirements of the decree of the CPSU Central Committee and USSR Council of Ministers indicated above, in early 1980 directors of all industrial enterprises, managers of construction and assembly trusts, and also chairmen of kolkhozes and sovkhoses went through certification procedure. The purpose of the certification was to determine how suited the managers are to the positions they hold. The certification was preceded by on-the-job workshops for directors of enterprises and organizations aimed at improving their knowledge of economics in the context of the peculiarities of economic-financial activity of the relevant sectors and production groupings. The syllabus made it possible to develop in the managers an ability to find the correct solutions in concrete and complicated situations. The certification commission in union-republic and republic ministries and departments were granted the right to make recommendations to party organs and economic bodies concerning the dismissal or reappointment of managers who had gone through the certification procedure and did not have sufficient knowledge in the field of management and economics. A special interdepartmental certification commission was set up in the GSSR Council of Ministers to conduct the certification procedure for managers of enterprises and organizations under union subordination located within the republic.

In 1980 the Georgian CP Central Committee and the republic's Council of Ministers conducted a review to see how ready industrial enterprises, construction and installation organizations, scientific research organizations, and project planning and design organizations were for the comprehensive approach to the new conditions of planning and economic incentives in order to invigorate further the preparatory efforts and initiatives of work collectives in increasing economic efficiency. The review was conducted in two stages. In the first stage tasks were set of achieving participation of every work collective in mutual cross-checks of the readiness of enterprises and organizations for the transition to the new conditions of economic activity.

A basic condition of the review was strict observance of the decree indicated and the managers' ability, along with the existing reporting system, to record and analyze the economic and social activity of production enterprises and organizations with respect to the new planning indicators and evaluation criteria. Principal attention was paid in the second stage of the review to practical application of measures to improve the economic mechanism. The readiness of enterprises and organizations to make the transition to the new conditions of economic activity was taken into account in totaling up the semiannual and annual

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results of the republic socialist competition among regions, ministries and departments of GSSR.

The review made it possible to stage efforts everywhere to improve planning and incentives, to disseminate progressive experience along these lines, to enhance the responsibility of managerial personnel for implementing decisions taken, and to substantially improve economic performance, which played quite an important role in the republic's success in the 10th Five-Year Plan. With respect to growth rates of national income, output and labor productivity in the industrial sector, and the relative share of products bearing the State Quality Emblem GSSR advanced to a leading position in the country with respect to the results for the 10th Five-Year Plan. The 1980 plan of industrial production on the basis of normative net output of enterprises converted to the new methods of planning was fulfilled at a level of 105.4 percent, and the growth rate over 1979 was 9.7 percent. The productivity of labor rose 9.2 percent on the basis of normative net output and 7.5 percent on the basis of gross output.

Indicators higher than the average for the republic's industrial sector were achieved by the entire group of enterprises operating under the new conditions with respect to the level of planned fulfillment and the growth rate of labor productivity. That situation was observed at the enterprises of the republic's Ministries of Light Industry, Food Industry, Meat and Dairy Industry and Local Industry.

Implementation of the decree of the CPSU Central Committee and USSR Council of Ministers on improvement of the economic mechanism also had a constructive impact on other aspects of production and economic activity of enterprises. For instance, according to the data of a 1-day observation conducted by the GSSR Central Statistical Administration, use of production equipment at the republic's machinebuilding enterprises improved during the 10th Five-Year Plan. The shift coefficient of metalworking equipment as a whole rose from 1.1 in 1975 to 1.23 in 1980, including an increase from 1.18 to 1.30, respectively, in the principal production operation, from 1.17 to 1.32, respectively, for metal-cutting machine tools, from 1.16 to 1.25, respectively, for forging and pressing machines, and so on. But on the whole these indicators lag substantially behind the respective union averages.

In recent years there has been an increase in the relative share of industrial enterprises regularly increasing their output exclusively by intensifying production, specifically by raising labor productivity. The share of such enterprises is now about 40 percent, whereas in previous years it did not exceed 28-30 percent. In certain ministries this figure is considerably higher: about 60 percent for the Ministry of Light Industry, about 50 percent for the Ministry of Food Industry, and so on.

The initiative of work collectives during introduction of improved planning has also been manifested in the intensified mobilization of internal potential for increasing industrial output and for improving product quality. In 5 months of 1980 output exceeded the plan by 75 million rubles, which is more than 80 percent of the annual surplus envisaged by the republic's socialist obligations.

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The comprehensive improvement of economic performance has made it possible for the Tbilisi Electric Locomotive-Building Plant to improve noticeably the quality of its product--the VL-11 electric road locomotive, which has been awarded the State Quality Emblem. This made it possible to increase the plant's economic incentive funds by more than 300,000 rubles in the current year alone, and 217,000 of this amount were assigned for material incentives paid to workers and engineering and technical personnel. The Quality Emblem has also been awarded to the truck tractor manufactured by the Kutaisi Motor Vehicle Plant, etc. These examples indicate the trend toward improvement of the quality of industrial products that has been generated during improvement of the economic mechanism in the republic. We should note that up until 1979 the greater share of products bearing the Quality Emblem were mainly products of the food industry, and the relative share of the products of branches of heavy industry, including machinebuilding, was quite low. The new requirements for improvement of the economic mechanism have made it possible for enterprises to activate internal potential for improvement of quality in a different way and to be persistent in searching for that potential in all branches.

Reorganization of the economic mechanism has been accompanied by expansion of the movement dedicated to the motto "Every Enterprise Among the Best in the Republic, in the Sector, in the Country," which is directly related to overcoming the republic's lag behind the average union level with respect to a number of the most important indicators of general-economic and industrial development; this can be illustrated by the Tbilisi Aircraft Plant imeni Dimitrov. Performance of more strenuous socialist obligations and counterplans of industrial enterprises to increase the volume of output and to improve the qualitative indicators of performance helps in the practical performance of this task. The drafting of measures along those lines made it possible for the aircraft plant, with the help of the union ministry, to revise the figures of the plan for the 11th Five-Year Plan and to double the growth rate of the volume of output over the target previously intended, to raise the labor productivity target 1.5-fold, and to increase the growth of industrial production up to 84 percent.

On the initiative of the workers of Makharadzevskiy Rayon a "vertical" socialist competition referred to as "plantation--transport--tea factory" was organized in the republic. The competing collectives of the region's agroindustrial complex assumed an obligation to increase the output of tea in an improved assortment and with high quality, while at the same time minimizing losses in the picking, shipment and processing of the tea leaf. This made it possible for work collectives to work out and perform joint vertical obligations ensuring an increase in the final results from the standpoint of the national economy. This is what makes the new form of socialist competition that arose during the restructuring of the economic mechanism valuable and topical; it altogether conforms to the party's requirements concerning the target-program management of the agroindustrial food complex as a system, concerning balanced and proportional development of its component branches, and concerning achievement of their smooth interaction and improvement of economic relations among them.

At the present time the republic has 117 base standard enterprises using the new cost-accounting (khozaschet) indicators and evaluation criteria on an experimental basis and introducing effective forms and methods for the organization

and work and remuneration. As of 1 May 1981 117 production associations and enterprises in the industrial sector, more than 13 percent of their total number, were converted in the republic to planning and recordkeeping based on normative net output. The normative net output indicator is being used by all enterprises of the GSSR Ministry of Gas Industry, about 93 percent of the total number of enterprises of the Ministry of Fruit and Vegetable Industry, 25 percent of those of the Ministry of Meat and Dairy Industry, 14 percent of those of the Ministry of Food Industry, 10 percent of those of the Ministry of Light Industry, 31.3 percent of those of the Ministry of Timber, Pulp and Paper Industry, 4 enterprises of the USSR Ministry of Machinebuilding for Light and Food Industry and Household Appliances, 2 enterprises of the USSR Ministry of Instrumentmaking, Automation Equipment and Control Systems, etc. These enterprises account for about 21 percent of the total volume of the republic's industrial production.

Particular attention is being paid to the base enterprises converted to the new conditions of economic activity. The ministries and departments of the various sectors and branches have drafted and are carrying out according to plan measures on the concentration of production, elimination of disadvantageous duplication of the manufacturing of products, raising the relative share of the total comprising products which conform to the enterprise's specific consideration, and the formation of production associations. At the present time the share of the latter in the republic's industry is 44 percent on the basis of output and 41 percent on the basis of labor force.

The base enterprises were assigned individual targets for the indicators of net output and the wage fund per ruble of output. Parallel planning, recordkeeping and analysis of output and labor productivity is being done according to the indicators now in effect and according to normative net output. The republic's Central Statistical Administration and the Statistical Administration of Tbilisi prepare monthly reports on these associations and enterprises. Their performance is regularly analyzed, and unused potential is sought for a further rise in production efficiency. All of this is helping to transform the base enterprises into pilot production operations which can be used for demonstration purposes.

A number of measures have been carried out in the republic to further improve economic planning and to intensify followup on plan fulfillment at all levels of management of the economy. Performance of the decisions taken by the Georgian CP Central Committee and GSSR Government on the drafting and implementation of comprehensive target programs occupies a special place.

The republic's Council of Ministers has passed 16 target programs covering the period 1981-1985. Among them an important place is taken by production-economic programs aimed at solving major intersector problems in the area of raising production efficiency: a food program; comprehensive programs for development of the production of consumer goods, for raising efficiency of utilization of fuel and energy resources, for development of the GSSR transportation complex over the period up to the year 2000, etc.; the target program of the Georgian RASU [republic computerized management system], which makes provision for further improvement of the organization of management of the economy.

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Performance of the target programs which call for drafting scientific-technical bases for increasing the efficiency of mining and combined processing of manganese ores of the Chiaturi deposit, mechanization of manual labor in the GSSR economy, thorough processing of production waste and its use as a secondary raw material, development of an effective and comprehensive system for protecting citrus, grape and fruit plantations against freezing and hail, creation and introduction of special suspended cableways and related automation systems, etc., will help to speed up the pace of scientific-technical progress and intensification of production.

The comprehensive target program for reduction of manual labor in the republic's economy in the period 1981-1985 has been drafted and put into effect. The program contains specific long-range assignments for the republic's ministries and departments and for associations and enterprises under union jurisdiction. At the same time it is a regional program, since it encompasses practically all branches of material production and the nonproductive sphere in all the republic's regions.

The work of shaping summary regional plans for mechanization of manual labor is now nearing completion. The drafting of this target program was headed by 24 regional commissions and the republic coordinating council under the general methods supervision of GSSR Gosplan. The program outlines more than 400 measures; about 150 project planning and design institutes and scientific research institutes in the republic and the country at large took part in drafting them. It calls for carrying out in the 11th Five-Year Plan more than 1,300 major organizational and technical measures to mechanize manual labor. The organizations which are to carry out the measures have been designated, deadlines have been fixed, and the sources of financing have been assigned: state capital investments, credits of Gosbank and Stroybank, and resources of production development funds.

Performance of this program will make it possible to reduce the number of workers employed at manual labor by 160,000 and to increase by 30 percent the number of workers performing their jobs on automatic machines and automated units and apparatus as well as with power tools and machinery. Performance of measures to mechanize and automate production processes and to introduce progressive technology in the period 1981-1985 will make it possible to raise labor productivity 10-12 percent in the industrial sector alone. The total economic benefit resulting from performance of the program will amount to more than 133 million rubles, and the proposed expenditures will be paid back in 4.5 years.

The transition of scientific research, mechanical engineering and process engineering organizations, institutions and industrial ministries to the cost-accounting system of organizing projects on the basis of job orders for creating, putting into production and applying new equipment and processes.

More intensive work is also being done in the republic to shape up the food program. Its drafting is being coordinated by a republic commission headed by E. Shevardnadze, first secretary of the Georgian CP Central Committee. The program's principal goal is to establish the optimum scale of production of the principal foodstuffs necessary to meet the needs not only of the republic's

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population, but also of tourists and vacationers, as well as to further increase the republic's contribution to the production of the union as a whole.

The food program will become an organic and integral part of the plan for economic and social development of GSSR, the autonomous republics, the oblasts, and the cities and rayons for the period 1981-1985 and the period up to the year 1990. Provision will be made for the figures of the food program in the development plans of kolkhozes and sovkhozes and those of procurement, processing and other enterprises. This will make it possible to improve the management, coordination and monitoring of the drafting and implementation of this program. The food program is to ensure dynamic and balanced development of the branches of agriculture, the processing industry, transportation, trade and procurements.

A great deal of work is being done in the republic to improve regional planning. Comprehensive plans of economic and social development are to become an effective instrument in effective management of the economy. In a number of leading regions in 1980 the post of chairman of the planning commission was replaced by the post of deputy chairman of the Executive Committee of the Council of People's Deputies, who supervises all planning, financial-economic and statistical work in the regions. Opportunities are being explored for enlarging the staffs of local planning agencies in other cities and rayons as well.

Interrayon specialized scientific research subdivisions of the Scientific Research Institute for Economics and Economic Planning of GSSR Gosplan have been created to help local planning agencies in 10 of the republic's large regions; they will do a great deal of work to perfect the scientific methods drawn upon in regional planning and in preparing preplan material for drafts of region plans for comprehensive economic and social development.

At the outset of the 10th Five-Year Plan GSSR was one of the first republics in the country to undertake to compile comprehensive regional plans for all the regions within the republic. They are now drafted for an elaborate system of indicators projecting the planning of practically all aspects of economic and social development of the regions. Experience in the drafting of comprehensive regional plans shows that many problems can be solved more soundly with their help. In addition, they contribute to purposive coordination of the work of ministries and departments, enterprises and organizations in solving problems which have become urgent in the socioeconomic development of the regions.

Agricultural production associations--the main unit for guidance of the region's agroindustrial complex--have been formed in certain rayons of the republic for the same purpose. Steps are also being taken to set up a unified center (unit) for management of the agroindustrial complex of the republic as a whole, including the food complex. One of its main tasks is to be the planning and mutually adjusted and systemic solution of the problems of pricing, incentives, credit financing and budget financing of all the interrelated branches of the agroindustrial complex.

In most of the republic's regions long-range programs for economic and social development over the period 1981-1985 and up to the year 1990 have been drafted (and approved in plenums of local party committees); they also defined specific

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steps toward their fulfillment. Special decrees of the party's Central Committee and the republic's Council of Ministers on measures to speed up socioeconomic development have been adopted concerning more than 30 regions. These decrees constitute comprehensive economic programs defining the strategy for the future economic and social growth of the regions and a system of measures for implementing that strategy whose resources, performance responsibilities and completion dates are interlinked.

The existence of the sound comprehensive programs makes it possible for each of the regions to see more clearly the possibilities and prospects of their growth, the final results of solving the problems which have become urgent, and the strategies and means of realizing the tasks which have been set within the framework of the economic complex of the entire republic, so that on that basis they can structure their own planning and economic effort more effectively. For example, the program of measures for accelerated economic and social development of the republic's Akhaltsikhskiy Rayon, which has a labor surplus, calls for unused land occupied by deserts and brush to be made fertile in 5-6 years. Some of these tracts would become pastures and meadows or would be afforested. By the end of the 11th Five-Year Plan there should no longer be any land used inefficiently in the rayon. A transformation in the proportional pattern of farmland has been determined on that basis, and that in turn would serve for achieving a growth of grains, vegetables, fruit and the products of animal husbandry and for augmenting agricultural production.

To the end of better utilization of labor resources provision has been made to expand handicrafts (including work done at home), development of local industry, etc. By the end of the 11th Five-Year Plan the level of employment of the able-bodied population in the socialized economy is to increase from 77 to 90 percent.

Performance of the comprehensive program for the economic and social development of Akhalkalakskiy Rayon is a special problem. This is now one of the republic's backward rayons. The rates and level of development of its economy have not in past periods corresponded to the opportunities that exist, and its natural and labor resources have been slow to enter into economic circulation. More than 30 percent of all labor resources in that rayon are employed in personal subsidiary farming and the household. Akhalkalakskiy Rayon lags substantially behind rayons in similar natural and climatic conditions with respect to a number of indicators of the development and efficiency of agriculture.

The comprehensive program which has been worked out for this region's further economic and cultural advancement calls for large-scale measures to be carried out to speed up the growth of industrial and agricultural production, to afforest the eroded lands of kolkhozes and sovkhozes, to build and repair roads, to build and manage housing on a private basis, to develop trade and consumer services, and so on.

Calculations show that performance of these measures will make it possible by the end of the 11th Five-Year Plan to bring into the rayon's socialized economy an additional 6,000 or so persons, to reduce from 30 to 16 percent the number of persons employed in personal subsidiary farming in the household, to increase

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industrial output 2.5-fold over the 1979 level, and to add 10,500 hectares to the area of irrigated land and 1,000 hectares to the area of drained land. Plans call for increasing the production and procurement of the principal farm crops.

Indicators of scientific-technical progress and of the efficiency of social production are now reflected more fully in the plans for economic and social development of GSSR. The functions of the republic's Gosplan have been expanded in the area of planning the development of science and technology, and its responsibility for application of scientific-technical advances has been enhanced. This has made it possible to interlink plans for application of new technology with other sections of the plan and to take into account more fully the socio-economic consequences of scientific-technical progress in the economy.

Much attention is being paid in the republic to improving sectoral and regional plans. In 1979 the Georgian CP Central Committee adopted a specific decree on measures to further improve the planning of the social development of work collectives. Under that decree special commissions (councils) for social planning are to be set up at enterprises and in economic organizations of the republic. Ministries and departments are organizing in associations and large enterprises services for factory-plant sociology to draft the scientific and organizational bases of plans for social development of work collectives. A standing republic commission headed by the republic's Gosplan has been created to coordinate scientific research and practical application of advanced know-how in the field of planning social development.

The planned effort is continuing to carry out the measures outlined to improve the system for supply of materials and equipment. The volume of product deliveries on the basis of direct business relations has increased almost 1.4-fold over the Ninth Five-Year Plan.

Another progressive form of supplying physical resources to enterprises and organizations--guaranteed aggregate supply on the basis of contracts concluded with agencies of the republic's Gosplan--has also experienced extensive development. The number of enterprises covered by this form of supply increased in the years of the 10th Five-Year Plan more than eightfold, and the volume of products delivered to them--5.3-fold. In the 11th Five-Year Plan more than 100 of the republic's enterprises are to be converted to guaranteed aggregate supply, whereas at the beginning of the 10th Five-Year Plan there were only 9 of them. At the same time, a number of the republic's production associations and enterprises (the Rustavi Chemical Combine, the Kutaisi Electric Drive Plant, the Batumi Machinebuilding Plant, etc.), just like the ministries of their sectors and branches, are taking a passive position and are not promoting widespread dissemination of the progressive form of supply.

By the end of the 11th Five-Year Plan the volume of services rendered the republic's consumers through the Gossnab system is supposed to increase 5.6-fold. Plans accordingly call for construction of two specialized shops for preparation of rolled products of ferrous metals for industrial consumption and for repackaging liquid chemicals in small containers. The capacity of sections for cutting paper products and wire and cable will be doubled, and so on.

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Centralized delivery of products to consumers has great importance to organization of regular supply of consumers, more efficient utilization of transportation equipment and stepping up the rate of turnover of stocks of physical resources. The share of such deliveries is now 75 percent for the republic's Gosnab as a whole, which is below the union average. But the share of centralized delivery is considerably higher for a number of articles. For example, for metal products and products of the timber and paper industry it is about 90 percent. In 1981 this figure will reach 90 percent for the republic's Gosnab as a whole.

The effort being made in the republic to make the conversion to the new conditions of economic activity also has shortcomings. One of them is that the preparation of a number of ministries and departments, enterprises and organizations for it was not properly linked to the search for internal potential for raising efficiency nor to the development of creative initiative on the part of economic organizations in improving the quality of performance and in perfecting the entire system of the planning and management of production. Consequently, the republic still has a high share of enterprises and organizations which are not fulfilling plans for the rise of labor productivity and the growth of profit. On the basis of the results for 1980 there are many such production operations in the Yugo-Osetinskaya Autonomous Oblast, where about 39 percent of the total number of industrial enterprises did not fulfill assignments for labor productivity: in Gurdzhaanskiy (21.4 percent) and Khashurskiy (25 percent) Rayons, in Rustavi (34.6 percent), etc. Assignments for labor productivity have not been fulfilled by more than one-third of the industrial enterprises of the republic's Ministry of Construction, Ministry of Rural Construction and Ministry of Building Materials. For a number of enterprises under union jurisdiction the shortfall in fulfillment of the 1980 plan for profit was 35 million rubles, or 10.6 percent of the plan.

Nor have satisfactory final results of economic activity been achieved at all the base enterprises, though, as we noted above, they are expected to be model production operations. So far enterprise passports have not become an effective means toward a higher standard in the drafting of annual and 5-year assignments, counterplans and socialist obligations, nor for competent assessment of utilization of equipment, production space, raw-material and fuel-and-power resources, and manpower.

Nor have all party committees and Soviet organs at the local level seen to the drafting and approval of regional schedules for conversion of enterprises and organizations to the new conditions of operation, which would be cleared with the respective ministries and departments. The vigorous activity of republic agencies to expedite the preparatory work is not always being met with approval and support on the part of sectorwide union ministries and departments. Some of them are postponing deadlines for conversion of enterprises to the new methods of planning. Such a position is adhered to, for example, by the USSR Ministries of Fishing Industry, Chemical Industry, Construction, Road and Municipal Machinebuilding, Machine Tool and Tool Building Industry, etc.

Certain enterprise directors have still not fully mastered the new methods of economic activity, nor do their qualifications meet the present requirements for

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management and planning of production. Some enterprise directors in the system of the Ministry of Meat and Dairy Industry and the Ministry of the Building Materials Industry, who during the certification procedure showed incompetence in the matters of improving planning and economic incentives, have been held back to go through the certification procedure once again.

Work-team methods of organizing work and of work incentives have not yet been developed as they should have been at industrial enterprises and construction organizations in the republic; and the relative share of work teams working under a single contract is low (25 percent). This work procedure has reached only 11.2 percent of industrial production personnel proper. There have been delays in the drafting and implementation of master charts for management of the various sectors and branches of the republic's economy and industrial sector and in conversion to the new system for the planning, financing and economic stimulation of the projects for creating, putting into production and applying new technology.

There are shortcomings also in the drafting and implementation of comprehensive plans for increasing production efficiency and target programs for mechanizing manual labor and for saving on metal and fuel and power resources. A number of enterprises are continuing to manufacture products which violate the requirements of state standards and technical specifications. Advanced methods of organization of work are slow to spread in the republic's industrial sector. The share of workers attending more than one machine tool (more than one unit) is low, as is the share of workers who are combining occupations. In many branches and sectors the figures on coverage of workers by measures for scientific management is considerably lower than the average union level. There are also shortcomings in improvement of the economic mechanism in capital construction. The volume of unfinished construction has been growing year after year. The plan for activation of activation of fixed capital in 1980 was fulfilled at a level of 80 percent.

In accordance with the decisions of the 26th CPSU Congress and the 16th Congress of the Georgian CP, the program for conversion of sectors of the economy and branches of the industrial sector to the new methods of economic activity is now being revised in the republic. To that end schedules are being worked out with deadlines for conversion of the respective enterprises and organizations to operation in the new way. A strict system has been set up for monitoring the organization of preparatory work.

Ministries and departments are completing the work of revising the passports of associations and enterprises. Summary and sectorwide passports will be compiled from them. It has been proposed that they be widely introduced into the practice of sectorwide planning and analysis of economic performance. Work is being stepped up to introduce the work team in organizing work and incentives, with remuneration made under a single contract for the final results of the job. Targets to this effect for 1981 and the multiannual period have been assigned to associations and enterprises so that the work team becomes the principal form for the organization of work in the 11th Five-Year Plan.

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Vigorous steps are being taken to further improve the style and methods of work and to strengthen the organizational role of the republic's Gosplan, Ministry of Finance, State Committee for Labor and Social Problems, State Price Committee, Central Statistical Administration, Gossnab, Gosbank and Stroybank, Gosstroy, and the State Committee for Standards, as well as their local subdivisions, along with economic planning services of sectorwide ministries and departments in introducing the new methods of economic activity. The training of supervisory personnel, engineering and technical personnel, and workers and employees in the methods of improving the economic mechanism, linked to the principal tasks of the 11th Five-Year Plan, is continuing at the same time.

Comprehensive implementation of the decisions of the 26th CPSU Congress and July decree of the CPSU Central Committee and USSR Council of Ministers on improvement of the economic mechanism will be a most important factor in raising the rates of the republic's economic and social development and in boosting production efficiency and the prosperity of the people in the 11th Five-Year Plan.

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REGIONAL DEVELOPMENT

MANAGEMENT OF LARGE PRODUCTION-ECONOMIC COMPLEXES

Moscow VOPROSY EKONOMIKI in Russian No 10, Oct 81 pp 64-72

[Article by A. Kochetkov, D. Levchuk and B. Mil'ner]

[Text] Creation of large industrial complexes is one of the most progressive of the development and location of the branches of the industrial sector. Large industrial-economic complexes--VAZ [Volga Motor Vehicle Plant], KamAZ [Kama Motor Vehicle Plant], Atomash [manufacturer of nuclear power plant equipment]--have been built in recent years in many branches of the industrial sector, the Minusinsk Electrical Equipment Complex is under construction, and so on. The shaping of mining, fuel-and-power, timber-lumber and other complexes has a large role in development of the economic regions of Siberia and the Far East.

The socialist economic system makes it possible to apply capital investments purposively to the comprehensive formation and development of production systems. In future large complexes will be characterized by the large scale of production of industrial products (often commensurable with the scale of the entire branch), and sizable amounts of capital investments are being used to create them.

In his report on the Basic Directions for the Economic and Social Development of the USSR Over the Period of 1981-1985 and up to the Year 1990 N. A. Tikhonov noted: "In the new 5-year period and over the longer range there will be a continuing effort to improve the location of the productive forces both in existing regions and new ones. There are plans to strengthen their comprehensive development and specialization and to take steps to optimize economic interrelationships.... Such TPK's [regional industrial complex] as the West Siberian, Sayan, Angara--Yenisey, the Timan--Pechora, the South Yakutia, the Pavlodar--Ekibastuz, the Southern Tajik, and others will also undergo development. Their formation is entering a new stage typified by the emergence and development of an entire complex of branches as well as support-service production operations.

An analysis of the peculiarities of the large complexes, which are at the same time comparatively localized in geographic terms, as subjects of management makes it possible to identify three basic types among them. The first group are national economic complexes being built over the territory of entire regions. The West Siberian TPK, the BAM [Baykal-Amur Main Rail Line] and the KMA [Kursk Magnetic Anomaly] might be included here. The second are intersector TPK's

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located in a limited area: for example, the Angara--Yenisey system of TPK's. The third are local TPK's or industrial parks (promyshlennyye uzly) after the pattern of VAZ, KamAZ, and the Minusinsk Electrical Equipment Complex.

The benefit of the complex is manifested first of all in the saving on capital investments and other resources and results from the following factors: centralization of supporting and auxiliary production operations and economic entities, scientific-technical and training facilities, and the economic and social infrastructure; unification of natural conservation components, and so on; efficacious subcontracting, a saving on shipping costs; and also improved organization of construction and exploitation of additional opportunities for achieving a high level of concentration of construction work.

From the standpoint of both the concentration of production and economic resources and also production-technical and business collaboration the process of shaping a large complex is a qualitatively new and complicated form of the social organization of production as compared to traditional forms of the investment cycle followed for separate industrial and civil engineering projects. One of the determining factors in creating large complexes as unified economic systems is the high level of synchronization and proportionality of all aspects of its activity. This is characteristic of the highest forms of the social organization of production, which presuppose not only the technological separateness of the economic units in its structure, but also their relative organizational and economic separateness.

A most important peculiarity of creation of a large complex as a subject of management is the direct interrelationship among the processes of its formation and its operation. Industrial projects are activated phase by phase, and the process of activation and attainment of rated capacity may extend over many years. The development of the complex is built up, as it were, of successively created production and social subsystems which at the point of their completion should comprise a unified system rather than a dissociated conglomerate of elements. This step-by-step aspect of forming the complex should take into account all the cooperative relationships and proportions of the various production operations which have been laid down in the project planning solutions. These circumstances have an impact on the organizational forms of management of large complexes, since program-based methods should be directly intertwined with existing sectoral forms of organization of production and management.

In the process of shaping the complexes difficulties arise in connection with certain shortcomings in capital construction, slow attainment of rated capacity, and the lagging of materials and the technical capability for housing and public works construction and for the facilities of the economic infrastructure shared in common. Disproportions in shaping the individual functional subsystems of complexes become aggravated by negligence in meeting deadlines for supply of manufacturing equipment by ministries figuring as suppliers, and so on.

The adversities noted above result from causes of an organizational and economic nature: the low level of multiannual, current and operational planning (including the planning of capital investments); the scattering of resources and dispersal of responsibility for the final results among the numerous plant departments, the existence of parallel general contractors which are organizations

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belonging to different ministries, the lack of an efficient organization of all the relations arising among scientific and project planning support, construction, activation and the attainment of rated capacity; difficulties in interdepartmental and interorganizational agreement on the features of project designs and plans; and slack supervision over execution of intersector decisions.

We should note that the departmental approach is unfortunately the determining one both in the taking of decisions on project designs and plans and also in carrying them out. Decisions of an intersector nature or for the complex as a whole can be taken only at the intersector level, which results in an overload of current and operational matters on the higher levels of management. This situation has come about because the mechanism for intersector management has not been sufficiently developed within its structure as it has taken shape. For example, aside from the principal client ministries--Minnefteprom [Ministry of Petroleum Industry] and Mingazprom [Ministry of Gas Industry], another six all-union ministries--Minenergo [Ministry of Power and Electrification], Minneftekhimprom [Ministry of Petroleum Refining and Petrochemical Industry], and so on--were directly involved in construction of the shared-in-common economic and social infrastructure of the West Siberian Complex. Aside from the principal ministry acting as contractor in building the industrial plants--Minneftegazstroy [Ministry of Construction of Petroleum and Gas Industry Enterprises], a whole series of other ministries took part in the construction: Minpromstroy [Ministry of Industrial Construction], Mintransstroy [Ministry of Transport Construction], Minenergo, Minmontazhspestroy [Ministry of Installation and Special Construction Work], Ministroy [Ministry of Construction], and Mintyazhstroy [Ministry of Construction of Heavy Industry Enterprises], all USSR ministries. Performance of the program involved more than 10 ministries which saw to the building of manufacturing and industrial equipment, as well as a number of related-sector ministries. Five all-union ministries are involved in building the KATEK [Kansk--Achinsk Fuel and Power Complex]; among them Minpromugol' [Ministry of Coal Industry] and Minenergo are the principal customers and at the same time contractors for construction of industrial and public works projects. Nevertheless, even in the first stages of formation of the South Park (uzel) of the KATEK difficulties arose concerning the punctual and quality construction of the facilities of the social infrastructure. Even in cases when the industrial parks have a single principal customer (for example, the Minusinsk, the Tomsk, etc.), there are a number of related client ministries for construction of the facilities belonging to the economic infrastructure shared in common as well as several ministries acting as general contractors. All of this considerably complicates the planning and organization of the construction and investment cycle for the complex as a whole.

An analysis of the peculiar features of production technology and the socioeconomic peculiarities of building large complexes makes it possible to define the principal requirements for the organizational structure of management of a TPK: the systems approach to the organization of management and to management methods, which guarantees that the integral character of the complex is taken into account, including establishment of its internal and external relations; subordination of the production and managerial activity of all units of the complex which belong to different departments to the final results from the standpoint of the national economy; definition of rights and responsibilities for each

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component; organizational and economic-statistical support of the creation of large complexes, whose purpose is to improve the degree of internal consistency in the project designs and plans and to reduce the length and increase the comprehensiveness of the investment-construction cycle; adoption of interdepartmental and regional-sectoral operational decisions in efficient performance of all the management functions, including planning, financing, and the supply of materials and equipment; preservation of sectoral and regional management of production-economic organization; assurance of central distribution and redistribution of resources in solving long-range and operational problems; and continuity of management of large complexes in the stages of scientific and project planning work, the investment-construction cycle and the activity of production and operation.

Depending on the specific nature of the complexes, their scale, and their structure, different solutions might be applied both in organizing the planning and also in selecting the organizational forms of management as a whole. An analysis of the possible solutions shows that they must pertain to all the levels of planning and management. This is indicated by experience in organizing the management of large industrial complexes and industrial parks: for example, VAZ, KamAZ, Atomash, etc.

The purposes of the program governing the creation of complexes can be formulated as follows: creation of all the principal production operations and elements of the infrastructure in the given proportions both with respect to scale and timing, as well as the conduct of social and natural-conservation measures necessary to the complex's development; achievement of a high technical level of the basic and auxiliary production operations being built in the complex; assurance of the economic and social effectiveness of shaping the complex on the basis of the internal consistency and quality of the system of planning decisions and project plan features being developed and of the corresponding organizational and economic mechanism of management.

The goals enumerated call for coordination of performance of the tasks of scientific and project planning support, the working out of comprehensive solutions to be included in the program, and centralization of economic guidance not only at the lower levels, but also at the sectoral and intersectoral levels. The most acceptable organizational forms of management in these cases might be the following: centralization of administration of the program for creation of the TPK within the confines of the individual sector; creation of a special sector-wide ministry or industrial association to carry out the program; and selection of the coordinational type of organization with partial decentralization of economic supervision over the performance of intersector tasks under the program.

The experience which has been gained allows us to conclude that it is possible to apply the different variants of the organizational forms of management depending on the type of complex. In the case of one-of-a-kind complexes, the system of management should include bodies endowed with sufficient powers for planned and economic supervision at the intersector level (within the USSR Council of Ministers itself) and at the level of the complex. In the creation of intersector complexes which are not so large, it is advisable to organize an interdepartmental commission under the supervision of the authorized representative

of the USSR Council of Ministers, as well as organs for economic supervision at the level of the complex. The management scheme based on the head department seems most suitable for single-sector complexes or complexes in which one of the sectors is predominant.

Two forms of management--strategic and operational--are indispensable in shaping a balanced and integral organizational and economic system to administer the program. By the first form we mean the working out of the basic long-range and planning decisions, and by the second the current economic supervision of performance of the given program. Experience shows that it is not possible to separate these forms at different levels of economic management. Moreover, the lower level of management plays a substantial role in information support and development of current and long-range planning and project design solutions.

A balanced combination of organizational (administrative) and economic methods, ensuring completeness and responsiveness of the managerial impact on the subject of management, is required to achieve the overall (interorganizational, inter-sector and national economic) goals.

One of the tasks in organizing program-based management is to establish those who are responsible for attainment of the overall goals stated in the program, to take the burden off the higher tier of management, and to improve the quality and punctuality of long-range and current decisions. As the subject of management the program unifies the activity of organizations subordinate to different branches and departments. Full centralization of administration of the program, including allocation of all resources to a single organ, is possible if a matrix structure of management is adopted. But highly complex matters arise when this is done: a sizable portion of the resources used to solve the most important scientific-technical problems is distributed through the traditional sectoral channels; in addition, it is difficult to regulate research and project planning activity, this being an area in which sectoral and departmental supervision remains decisive.

As they make the transition to cost-accounting (kalkulyatsionny) methods of operation, scientific and project planning organizations are those best able to adopt matrix management forms. Matters are more complicated in applying the matrix scheme in the system for management of production-economic organizations. The present system of economic management is structured along the sectoral and regional principles within the confines of the line structure of management. Should special program-based bodies be created, this could result in a substantial additional complexity of the system for planning the supply of materials and equipment, for reconciliation and mutual adjustment of planning decisions, for monitoring the use of resources and funds subject to limits, and so on.

The basic task of improving management of the process of creating the large complex necessitates integration of management right at the level of the organizations which are responsible for carrying out the entire scope of operations under the program. Opportunities for this are limited by their production-economic functions and by their departmental subordination.

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In our view the following types of organizations involved in carrying out the program should be distinguished: those performing the role of customers and contractors in capital construction; those supporting the activity of the former with scientific and project planning work, with equipment, with physical and technical resources, and so on. But in practice it is not uncommon for the division within each of these functions (of customer, of contractor, and so on) to be excessive. This complicates cooperation among the economic links and results in a squandering of resources and diffusion of responsibility of personnel for the final results of activity. Centralization of management and the coordinability of all the units should encompass first of all the functions of the customer, the contractor and the supplier. In complexes which have a sectoral configuration, where there is a single customer, his functions need to be broadened and resources should accordingly be allocated for the entire extent of construction of the shared economic infrastructure, housing and public works construction, personnel training, and so on.

Centralization of management of capital construction is also indispensable in the case of large intersector complexes. Here it is advisable to set up a unified directorate of the complex under construction on the basis of the independent sectoral directorates; as production capacities are activated and brought up to rated output, it would grow to become an industrial association with a multisector configuration. In such complexes as KATEK the directorate could figure simultaneously as the middle-level management body because there are within it separate lines of operation--industrial, public works and power facility construction, facilities of the common economic and social infrastructure, and so on. It is best for certain project planning and research organizations engaged in technical-and-economic elaboration of the overall problems and with coordination and preparation of planning and design decisions to be made subordinate to the body which represents centralized program-based management. Other economic organizations, including construction organizations, might also be made subordinate to the unified directorate (industrial association).

It is high time for centralization of the functions of those organizations figuring as general contractors, especially those with a small capability. In cases when the functions of the customer cannot be altogether centralized, the organizational and economic conditions can be created for unified responsibility of personnel for the results of the entire complex by centralizing the functions of the general contractor.

Experience in building complexes (VAZ, KamAZ, etc.) has confirmed the effectiveness of using large-scale organizations as general contractors. When there is a large-scale general contractor, it becomes possible to introduce the most progressive methods of managing construction, he has broader opportunities, the level of organization of operations and the level of responsibility for the final results are raised, the process of interaction with the customer is simplified, and additional opportunities are created for centralizing the construction capability and for improving the entire system for supply of materials and equipment.

Along with the lower and middle tiers, the structure of the entities for administration of the program should also include a higher level of economic management, as well as appropriate branches or bodies at the intersectoral level

(within USSR Gosplan, in the State Committee for Science and Technology, in USSR Gossnab, etc.). They might be reduced to three organizational forms: a head ministry with centralization of the functions of administering the program; designation of a specific body for program-based administration subordinate to the USSR Council of Ministers and performing the functions of coordination in performing intersector tasks; and centralized economic management of the program at the level of the middle tier of management which would be subordinate to two (or more) bodies of management.

It is best to base the management of large sectoral industrial complexes on creation of program-based management entities organized on the principle of the head ministry. This principle can also be extended to complexes with a multi-sector structure in which one sector is predominant. Here the enterprises and economic entities of other sectors are set up as auxiliary entities supporting the sector or with close relations with the centralized scientific-technical facility or the common economic and social infrastructure.

In the process of shaping such complexes the functions of the customer, that is, of the sector responsible for building them, are centralized to a considerable degree. It is advisable in this connection to order the head ministry to draft the program for shaping the complex and to work out the complexwide predesign solutions and to appropriate to it the principal resources for project planning and surveying work and capital construction. It is also indispensable that the individual specialized ministries retain their functions as customers, while the head ministry is given coordinating powers. Aside from the right to monitor and redistribute resources, a number of types of activity related to scientific and project planning support, technical supervision, deliveries of equipment, and so on, remain within the competence of the ancillary ministries, which bear direct responsibility for performance of those functions within the confines of their own sector, and they finance those functions as well. Sectoral plans of the respective types of operations, coordinated with the program, may, then, be the most effective means of coordination. In this connection the functions of summary program-based planning in the appropriate sectoral division of USSR Gosplan should be expanded.

A number of unsolved problems also exist within the head ministries, which have not been introducing sufficiently the forms of program-based planning and economic management over the creation of large complexes. There is a need to form special staff units to plan the program within the ministry, to centralize economic management at the level of the lower economic tiers, and to assign them to the bodies for management of the complexes. Within the sector the entire complex of organizational and economic measures to administer the program is best provided for by adopting normative decisions, including appointment of the supervisor of the program and the creation of special units in the management apparatus. Such a system of measures is necessary in all cases when program-based management is introduced. Implementation of a comprehensive program within a sector necessitates straightforward interaction not only of the subdivisions of the ministry's apparatus, but also of the individual industrial associations which are to provide the technical supervision over preparation of the project planning solutions and over technical policy, which are to provide the scientific and project planning work, and so on.

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Management of large complexes like KATEK may follow one of two basic schemes: centralized management of the program by forming an all-union industrial association, which is subordinated to the head ministry; and centralized coordinating supervision based on "cooperative" or the forms of joint management of the program. Management of the programs of such complexes must be centralized at all levels of management.

The unified directorate of enterprises under construction could become the organization providing direct supervision over construction of the complex. In view of the step-by-step nature of construction, at KATEK, for example, it is advisable to create an all-union industrial association on the basis of the coal and power enterprises or production associations; it would perform the functions of the customer concerning construction of the industrial and other facilities of the TPK and would also provide supervision over the current activity of industrial enterprises (taking into account the existence of a straightforward "technological chain" in the KATEK: coal mining--coal processing--generation of electric power).

The association or unified directorate needs to be subordinated to the intersector management entity or committee of authorized representatives (KPP), which might be formed on the principles of shared participation as the entity for coordinating the activity of client ministries and which would have not only coordinating functions, but also would have economic management functions. The membership of the KPP might include representatives of the leading ministries (deputy ministers) and of regional bodies. A small specialized administrative staff should be organized to conduct the affairs and maintain operational relations of the members of the KPP. The KPP is a collective body which should perform the general integral functions of economic management and as it were perform the role of a collective manager on behalf of the participating ministries. This scheme has its advantages, but also certain drawbacks. It results in the formation of an additional tier in the management structure and complicates the process of achieving consensus on and adoption of intersector decisions.

In our opinion the scale of the subject of management and its level do not require creation of a special independent body for program-based management at the sectoral or supersectoral level. That is why the attempt to subordinate the economic organization to two ministries is promising and could find similar application in other projects with an intersector configuration.*

For such a large complex as KATEK it is possible to envisage the variant of an economic mechanism with dual subordination of the entity for administration of the program, an alternative that is quite realistic under the conditions that have come about: the unified directorate or industrial association submit programs and comprehensive plans to the KPP, and the latter defends them on behalf of the client ministries in USSR Gosplan and other entities representing intersector management; USSR Gosplan in turn plans and allocates resources directly to the unified entity for administration of the program.

* Failure to solve this problem has, in particular, resulted in the inadequate development of the economic mechanism that has taken shape and the management structure of intersector production operations, the low efficiency of construction of intersector industrial parks, and so on.

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The principle of dual or multiple subordination of economic organizations in the context of "vertical" development of cost accounting should become increasingly widespread. There is a need for scientists and project planners to do specific work on the entire mechanism for planned distribution, including the planning of the principal production indicators, their adjustment, evaluation of the performance of that organization and the recording of its results in the activity of superior economic organizations, and the incentive system. Particular attention should go to solving the problems of the supply of materials and equipment, to the transfer of funds, and to the planning of capital investments.

The scheme of program-based management with a specific body at the regional level which would be subordinate to the USSR Council of Ministers is a promising scheme for management of the creation and development of one-of-a-kind national economic complexes. This could be a body of economic management responsible for effectiveness in the development and execution of all the complexwide and intersector decisions. This body for program-based management should supplement the existing sectoral and regional management system, and it should also have a number of economic and managerial functions, which need to be centralized in order to exclude duplication in sectoral entities.

General management of the target program for development of one-of-a-kind complexes should be made the responsibility of special commissions of the USSR Council of Ministers (as was done in the West Siberian Complex); it would be advisable for their members to include the ministers of the principal sectors involved in developing the complex and also representatives (deputy chairmen) of USSR state committees, the RSFSR Council of Ministers, the vice president of the USSR Academy of Sciences, and oblast representatives.

Jointly with USSR Gosplan these commissions would draft and carry out the target program and monitor fulfillment of planning assignments by ministries and departments; would examine and coordinate decisions concerning interaction of sectors and enterprises within the complex; would reconcile and coordinate the principal indicators of sectoral plans and designs for new construction in the given region; would monitor progress in capital construction, and so on.

Main administrations for complexes, which would be created under the USSR Council of Ministers, could supervise the organization of fulfillment of the target programs, and there would be interdepartmental operational coordination of the activity of production associations (enterprises). Regional councils of directors of large enterprises (associations) and organizations to be included in the complex could be created at the regional level under the main administrations, and representatives of local administrative agencies could participate in their proceedings.

The principal tasks of the main administrations should be the following: current supervision of the performance of the target program by performing coordinating, planning and monitoring functions with respect to interdepartmental linkage of the production and economic activity of enterprises and organizations operating within the complex or closely related to it; joint preparation with sectoral organizations of proposals for multiannual plans for development of all the components of the complex, including drafts of plans of capital construction and contract construction work.

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Special subdivisions should be created within the planning commissions of the executive committees of local soviets of people's deputies to plan and monitor fulfillment of planning assignments by enterprises and organizations subordinate to local soviets in order to improve combination of sectoral and regional management.

The organization of performance of the programs for creation of large complexes should guarantee straightforward division and coordination of functions of the entities which are responsible for developing that organization. Compilation of comprehensive large-scale programs is a complicated organizational problem that necessitates that scientific-technical personnel be concentrated at the intersector, sectoral and regional levels and that there be clear coordination of all participants in this process on the basis of head and competent scientific and project planning centers.

The economic efficiency of target-program management of large complexes is manifested in improvement of the quality and internal consistency of the project design and planning decisions thanks to use of the program approach; in reduction of the length of the investment-construction cycle and reduction of its resource intensiveness; in assurance of synchronization and proportionality in schedules and scales of development of the various components of the complex; in centralization of infrastructural units (because of their intersector subordination); and in combined utilization of regional resources.

Shaping the organizational structure for management of large complexes does not require more capital investments or more managerial personnel. The restructuring of the organizational and economic mechanism can be done with the existing potential in the present management system, that is, by redistribution of managerial functions. Efficiency can be achieved mainly through a saving of capital investments because of elimination of departmental parallelism in construction of projects of the same kind, reduction of losses at organizational and technological junctions, and greater comprehensiveness and responsiveness in the taking of interdepartmental decisions.

The systems approach to program-based management of the creation of large complexes necessitates interrelated organizational, economic and legal measures. The time has now come to publish specific normative documents on the economic mechanism for program-based management in which the most general principles concerning this form of management would be set forth.

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